
CLEVELAND AQUATIC CENTRE CONTRACT

Objective Reference:	A2216464 Reports and Attachments (Archives)
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PURPOSE

To seek Council's approval to extend the current management agreement with Belgravia Health & Leisure Group Pty Ltd until the Cleveland Aquatic Centre (CAC) is ready for decommissioning.

BACKGROUND

The CAC is situated at 37 Wellington Street, Cleveland on state-owned land held in trust by Redland City Council (RCC). It is the only Council-owned pool in the city on the mainland. Originally built in 1978, the pool has had several additions over time. It comprises the following main elements:

- 8-lane x 50m, floodlit, heated outdoor pool built in 1978;
- tiered concrete grandstand seating constructed in 1984, with cover added in 1986;
- indoor heated 3-lane x 20m learn-to-swim pool, constructed in 1988;
- outdoor heated 6-lane x 25m pool with disabled access ramp, constructed in 1994;
- swim club clubhouse constructed in 1999;
- outdoor leisure pool with beach entry, slides, water fountains, water jets and sprays, and rapid river, constructed in 2007;
- all pools are heated by gas except the leisure pool (electric);
- change rooms (including people with disability (PWD) facilities);
- formal car park with 101 spaces;
- reception/café/kiosk/office;
- lifeguard station, first aid room;
- small gymnasium/health club area (approx. 150m²).

The current management agreement with Belgravia Health & Leisure Group Pty Ltd (Belgravia Leisure) is due to expire on 30 June 2017. Belgravia Leisure is paid an annual management fee and undertakes programs and water activities,

management and maintenance responsibilities for the centre and is paid an annual management fee of [REDACTED] excluding GST indexed to CPI.

On 25 June 2008, Council resolved to award a 6-year management term to Belgravia Health & Leisure Group Pty Ltd for management of the Cleveland Aquatic Centre. The lease was due for renewal on 14 July 2014, however, due to the condition assessment that was undertaken, this was delayed with Council entering into a short-term agreement until 30 July 2017.

A broad investigation was undertaken into future management options for CAC in late December 2013. Concurrently a condition assessment was undertaken by a specialist aquatic engineer which has highlighted significant issues with pool plant and equipment for effective water treatment. A more detailed investigation is required to underpin the capital works program for asset upgrade and replacement.

This report seeks Council's approval to extend the arrangements with Belgravia Leisure until the centre is ready for decommissioning in preparation for redevelopment. Redevelopment of the site is currently in the 10-year capital works program for delivery to commence within the next two years.

ISSUES

Current asset condition

Council engaged the services of an aquatic engineering specialist in May 2014 to review and provide advice to Council on the current asset condition. The report highlighted significant issues with the asset, including recommendations for Council to undertake immediate operational maintenance and to develop a master plan for the site for future works to be completed as the assets were required to be renewed and upgraded.

Maintenance and management responsibilities

Council and Belgravia Leisure have had joint maintenance responsibility for plant and equipment in the operation of the facility. Given the significant operational and capital works required in the future, it is recommended that these arrangements continue until a new detailed works program is finalised and the asset is decommissioned.

Belgravia Leisure has detailed knowledge of the CAC pool plant and equipment and has provided Council effective service throughout the term of the contract, particularly in keeping aging equipment functioning. Their specialist knowledge in this area has assisted Council in effectively managing the asset, given the age and current condition of the plant and equipment.

Capital and major operational works

Due to the current asset condition, major capital and operational works will need to be undertaken within the next two years in line with the engineer's report of May 2014. This includes immediate operational works to improve water quality and filtration to meet Queensland Health guidelines for operation of commercial pools and spas.

Redevelopment of the site

A joint development proposal with Surf Life Saving Queensland was presented to Council at a workshop on 28 June 2016. Ongoing discussions are well advanced with Surf Life Saving Queensland who are finalising their own due diligence on the aquatic centre operations, relocation of their head office and centre of excellence,

due to be completed in March 2017. It is intended that any agreement with the operations of the pool with Belgravia will remain in place until the asset is decommissioned. This is separate to the joint development of the site with Surf Life Saving Queensland.

STRATEGIC IMPLICATIONS

Legislative Requirements

This agreement requires an exception under *Section 104* 'Sound contracting principles' of the *Local Government Act 2009*, and section 235(a) 'Other Exceptions', of the *Local Government Regulation 2012*, as Council is satisfied that there is only one supplier who is reasonably available to provide services for the Cleveland Aquatic Centre, namely Belgravia Leisure Pty Ltd.

General Counsel have recommended making amendments to the new agreement to include termination clauses to mitigate Council's risk and liability should the facility be forced to close for an extended period of time.

Risk Management

Council engaged an aquatic engineering specialist in May 2014 to review and provide advice to Council on the current asset condition which highlighted significant issues with the asset's condition which, if not managed effectively, have the potential to result in failure of asset components leading to either a partial or permanent closure of the facility.

To manage this risk, it is recommended that a short-term management agreement be awarded to an operator who has thorough knowledge and experience in the pool plant equipment specific to the site.

In addition, in going to the market for an open tender process Council would have to highlight the condition of the asset and may be liable for loss of income under the contract arrangement should the asset be forced to shut for an extended period of time.

Financial

Market value testing against other local governments with aquatic facilities of a similar age and condition suggest that current funding levels provided by Council to Belgravia Leisure to manage the facility are indicative of industry standards.

Council has budgeted [REDACTED] (excluding GST) in 2017/2018 indexed with CPI as an annual management fee. Belgravia is responsible for all ongoings including rates, water and utility costs as part of the management arrangements.

People

Management of the contractual agreements with current operations of the centre will be managed within existing resources and have no impact on current Council resources.

Environmental

There are no known environmental impacts as a result of this management agreement.

Social

The centre has visitations in excess of 190,000 patrons per year. Belgravia Leisure runs an extensive aquatic program for people of all ages and abilities. Over the last 8 years they have built up a clientele and relationships that, at this stage of the CAC life, are worth nurturing.

Alignment with Council's Policy and Plans

The recommendation primarily supports Council's strategic priority to provide a range of community services to support basic qualities of community life and maximise opportunities for community participation and development.

CONSULTATION

Consultation has occurred with:

- Belgravia Health and Leisure Group Pty Ltd;
- City Spaces Group;
- Financial Services and Business Partnering Group;
- General Counsel Group;
- Other local government authorities;
- Department of Natural Resources & Mines.

OPTIONS

1. Extend the existing management agreement to Belgravia Health & Leisure Group Pty Ltd until the centre is decommissioned in preparation for redevelopment.
2. Call for tenders for a short term management agreement.
3. Council seeks additional information.

OFFICER'S RECOMMENDATION

That Council resolves as follows:

1. That under *Section 104 'Sound contracting principles'* of the *Local Government Act 2009*, and section 235(a) 'Other Exceptions', of the *Local Government Regulation 2012*, it is satisfied that there is only one supplier who is reasonably available to provide services for the Cleveland Aquatic Centre, namely Belgravia Leisure Pty Ltd, until the centre is decommissioned in preparation for redevelopment;
2. That the Chief Executive Officer be delegated authority under s.257(1)(b) of the *Local Government Act 2009* to negotiate, make, vary and discharge the agreement and sign all necessary documentation in regard to this matter; and
3. That this report remain confidential until the matter is finalised.