Tender - Reject and Negotiate - T-2024-1253 - Management of the City of Sydney Leisure (Active Wellbeing) Services / Exemption from Tender and Contract Variations - Management of Aquatic and Leisure Facilities - Belgravia Leisure

File No: X099484.010

Tender No: T-2024-1253

Summary

This report provides details of the tenders received for the City of Sydney's Leisure (Active Wellbeing) Services contract, covering the management of six aquatic and leisure centres. These centres are vital community assets, supporting health, wellbeing, social connection and inclusivity.

Collectively, these centres represent the largest frontline service provided by Council to the community, delivering an extensive range of aquatic and fitness, sports, and wellbeing programs each week. These services cater to all ages and abilities, from learn-to-swim and water-based therapy to group fitness, team sports, and rehabilitation programs. The centres recorded 1.993 million visits last year.

Leisure services are evolving beyond traditional fitness and sports to play a vital role in tackling health inequalities, promoting social inclusion, and enhancing community wellbeing. This aligns with the City's commitment to using these services to improve public health, mental wellbeing, and physical activity, particularly for underrepresented groups. A key focus is also on strengthening community resilience, ensuring the community has the support and opportunities to stay active, connected, and healthy.

The new contract will build on these priorities by enhancing social impact, improving access, and deepening community engagement. It will expand initiatives that support underrepresented groups, promote resilience, and align with the City's sustainability goals, including digital transformation and environmental commitments.

The City conducted a two-stage tender process: an initial Expression of Interest to engage the market and shortlist suppliers, followed by a formal select Request for Tender. The tender generated strong market engagement and competitive tension. There are submissions received which have strong potential to deliver the services and benefits required, however, none can be finalised and accepted in their current form without further refinement, clarification and negotiation with the suppliers.

This report recommends that Council decline to accept the tender offers received for Management of the City of Sydney Leisure (Active Wellbeing) Services and enter into negotiations with the tenderers identified in Confidential Attachment A to secure an outcome which is realistic and feasible whilst effectively addressing both operational and financial requirements.

To ensure service continuity, it is also recommended that Council extend the current contracts in place with Belgravia Health and Leisure Group Pty Limited as Trustee for The Belgravia Unit Trust for an additional 12 months. This extension covers Cook and Phillip Park Aquatic and Fitness Centre, Ian Thorpe Aquatic Centre, Prince Alfred Park, Victoria Park, Andrew (Boy) Charlton Pools, and Gunyama Park Aquatic and Recreation Centre. The extension will allow sufficient time for negotiations and to ensure a smooth transition to the new contract outside the peak summer period.

The extension of the two current contracts with Belgravia Health and Leisure Group Pty Limited as Trustee for The Belgravia Unit Trust will require a variation to change the term and increase the total contract value to cover the costs of the 12-month extension, as outlined in Confidential Attachment A to this report.

Recommendation

It is resolved that:

(A) Council decline to accept the tender offers received for City Leisure (Active Wellbeing) Services for the reasons outlined in Confidential Attachment A to the subject report;

(B) Council does not invite fresh tenders as it is considered that inviting fresh tenders would not attract additional suitable tenderers over and above those that have responded to this tender, noting all major management groups were given the opportunity to participate through a targeted Expression of Interest and subsequent select tender process;

(C) authority be delegated to the Chief Executive Officer to enter into negotiations with any person including the tenderers identified in Confidential Attachment A to the subject report with a view to entering into a contract on terms that are appropriate in relation to the subject matter of the tender;

(D) Council note that the outcome of negotiations will be reported back to Council;

(E) Council approve an exemption from tender in accordance with section 55(3)(i) of the Local Government Act 1993 to extend the current contracts for the management of Cook and Phillip Park Aquatic and Fitness Centre, Ian Thorpe Aquatic Centre, Prince Alfred Park, Victoria Park and Andrew (Boy) Charlton Pools; and the contract for Gunyama Park Aquatic and Recreation Centre with Belgravia Health and Leisure Group Pty Limited as Trustee for The Belgravia Unit Trust for an additional 12 months with a revised expiry date of 30 June 2026;

(F) Council note that a satisfactory result would not be achieved by inviting tenders for these services because the extension is required to ensure service continuity to finalise negotiations following a thorough tender process;

(G) Council approve a variation to the two current contracts with Belgravia Health and Leisure Group Pty Limited as Trustee for The Belgravia Unit Trust to change the term of the existing contracts to expire on 30 June 2026, adding transitional provisions to align the two contracts, including the financial arrangements, and to increase the total contract value of both contracts as outlined in Confidential A of this report. The required funding is reflected in the 2025/26 draft operating budget; and

(H) authority be delegated to the Chief Executive Officer to negotiate, execute, and administer the variation to the contracts and enter into any necessary documentation with the current supplier to give effect to the resolutions above.

Attachments

Attachment A. Tender Evaluation Summary and Financial Implications (Confidential)

Background

1. The City owns six world-class aquatic and leisure centres: Andrew (Boy) Charlton Pool, Cook and Phillip Park Aquatic and Fitness Centre, Gunyama Park Aquatic and Recreation Centre, Ian Thorpe Aquatic Centre, Prince Alfred Park Pool, and Victoria Park Pool that are the primary location for delivery of active wellbeing services.

2. These centres are a vital part of the City's community services, with a mix of year-round and seasonal operations. Collectively, they represent the largest frontline service provided by the City, operating 98 hours a week and open 363 days a year. Last year they recorded 1.993 million visits. Despite generating significant revenue, the centres face operational challenges, as evidenced by the notable annual operating deficit. Managing these high-demand, market-driven services is complex and carries financial risks, as they must respond to trends, user preferences and revenue generation opportunities while balancing costs and community service provision.

Current Contract

3. The City holds two contracts with Belgravia Health and Leisure Group Pty Limited as Trustee for The Belgravia Unit Trust covering the management of the City's active wellbeing centres as listed above. Both contracts operate under a fee for service financial model.

4. On 18 September 2023, Council noted the confidential Aquatic Leisure Services Management Options Evaluation and Research Report recommendation to adopt an outsourced operating model under a single combined contract upon the expiry of the current agreements. Council also varied both contracts to extend the terms by an additional 15 months, with both now set to expire on 30 June 2025.

New Contract

5. The contract promotes a balanced approach, delivering community benefits and positive health outcomes while ensuring financial sustainability. It prioritises measurable social impact, equitable access, and the wellbeing of vulnerable groups, ensuring the centres remain accessible and beneficial for all.

6. To align with the City's priorities of health, inclusivity, sustainability, and safety, the contract embeds a Community and Social Impact Priorities Framework. This guides services to meet the needs of vulnerable groups while ensuring collaboration between the contractor, the City, and the wider community. The contractor will be accountable for delivering initiatives aligned with these priorities.

7. A range of new initiatives will be introduced to improve service delivery, expand access and strengthen community wellbeing. These initiatives address barriers to participation and ensure services are more inclusive and responsive to community needs.

    (a) Active Communities Program – expand access to physical activity through targeted programs for all age groups, focusing on less active and underrepresented communities. Delivered in centres and community settings, with dedicated funding to enhance inclusivity and accessibility.

    (b) Community Bus Service – new transport service for City Access Card holders facing accessibility barriers. Picking up from community hubs, centres and social housing areas, it provides easier access to facilities, with an exercise class available upon arrival.

    (c) Digital Transformation – annually, a digital and technology plan will be refined to ensure alignment with industry trends, the City's digital strategy, and evolving community needs.

(d) Environmental Commitment – support our net-zero carbon reduction targets while minimising chemical consumption and contributing to broader operational practices that promote sustainability and protect the environment.

(e) Social Impact and Social Value Measurement – measurable indicators will track outcomes like increased physical activity, improved health, and social inclusion. Regular reporting will show how services contribute to local employment, community development, and wider social benefits.

(f) Memberships for Family and Domestic Violence Support – a number of 360 memberships will be available for distribution through networks supporting individuals experiencing family and domestic violence. These memberships will ensure anonymity and provide access to services without compromising privacy.

(g) Dedicated Roles for Active Communities – specialised roles have been prescribed to drive the development and implementation of programs promoting active and healthy lifestyles. These roles will integrate wellness and social inclusion with traditional aquatic and fitness programming. One role will be an identified position for a First Nations person, ensuring culturally appropriate support and engagement.

(h) Targeted Health Programs – an annual health summit will be delivered, engaging local health organisations and city teams to identify health priorities, engage inactive communities, and raise awareness of services. The summit will focus on reducing social isolation and improving centre utilisation.

Expression of Interest

8. A two-stage process was undertaken to ensure thorough market engagement and gather insights from key industry players. As part of the management options evaluation, a market sounding was conducted with the five primary operators in the sector to assess their interest in operating the City's centres, should the outsourced management model continue. The feedback gathered from this process was incorporated into the subsequent expression of interest, which led to a shortlisting and select tender process. Additionally, feedback was sought on critical factors to consider in developing the contract specifications.

9. An open Expression of Interest was advertised and the following organisations were also invited to submit:

- The Trustee for Aligned Leisure Trust trading as Aligned Leisure Pty Ltd (ABN 38 602 127 519).
- Belgravia Health and Leisure Group Pty Limited as Trustee for The Belgravia Leisure Unit Trust (ABN 18 118 940 063).
- BlueFit Pty Ltd (ABN 74 127 508 230).
- City Venue Management Pty Ltd (ABN 44 140 462 862).
- ClubLinks Management Pty Ltd (ABN 41 099 690 301)
- Victorian YMCA Community Programming Pty Ltd (ABN 75 092 818 445).

10. Three submissions were received from the following organisations:

    - Belgravia Health and Leisure Group Pty Limited as Trustee for The Belgravia Leisure Unit Trust (ABN 18 118 940 063).
    - BlueFit Pty Ltd (ABN 74 127 508 230).
    - City Venue Management Pty Ltd (ABN 44 140 462 862).

11. A late submission was received from:

    - Victorian YMCA Community Programming Pty Ltd (ABN 75 092 818 445).

12. The submissions were assessed in accordance with the following evaluation criteria:

    (a) Capacity to deliver on a contract with the scale and complexity of the contract.

    (b) Capability to deliver operational excellence that meets the needs of the City and the community.

    (c) Demonstrated experience of best practice operations and delivery models based on previous experience.

    (d) Strategic alignment with and delivery on the prescribed guiding principles.

    (e) Demonstration to enhance the City's local economy by buying locally and having economic sustainability.

    (f) Demonstrated commitment to WH&S, environmental management.

    (g) Financial and Commercial Trading Integrity including Insurances.

13. Three management groups were shortlisted to participate in a select tender process, being:

    (a) Belgravia Health and Leisure Group Pty Limited as Trustee for The Belgravia Leisure Unit Trust (ABN 18 118 940 063).

    (b) BlueFit Pty Ltd (ABN 74 127 508 230).

    (c) Victorian YMCA Community Programming Pty Ltd (ABN 75 092 818 445).

Invitation to Tender

14. Request For Tenders were released to the 3 short listed tenderers through Tenderlink on 8 October 2024 for 6 weeks. Two subsequent extensions of time were approved, and tenders closed on 26 November 2024.

Tender Submissions

15. Three submissions were received from the following organisations:

    - Belgravia Health and Leisure Group Pty Limited as Trustee for The Belgravia Leisure Unit Trust (ABN 18 118 940 063).
    - BlueFit Pty Ltd (ABN 74 127 508 230).
    - Victorian YMCA Community Programming Pty Ltd (ABN 75 092 818 445).

Tender Evaluation

16. All members of the Tender Evaluation Panel have signed Pecuniary Interest Declarations. No pecuniary interests were noted.

17. The relative ranking of tenders as determined from the total weighted score is provided in the Confidential Tender Evaluation Summary – Attachment A. While each tenderer has submitted a proposal, none can be accepted in their current form, as the financial proposals do not meet the Council's requirements. Further negotiation will be required to align the submissions with the Council's expectations.

18. All submissions were assessed in accordance with the approved evaluation criteria being:

    (a) Strategic Alignment (Guiding Principles) – the ability to demonstrate alignment with and delivery on the prescribed Guiding Principles.

        (i) Community Benefits – Community Health and Wellbeing.

        (ii) Community Benefits – Inclusiveness.

        (iii) Community Benefits – Social Benefits and Community Connection, including local employment and Aboriginal Torres Strait Islander People engagement, buy local and economic benefits.

        (iv) Operational Factors – Asset Management.

        (v) Operational Factors – Quality Management and Operational Delivery.

        (vi) Operational Factors – Environmental Sustainability.

        (vii) Strategic Planning.

    (b) Demonstrated experience – contract management.

    (c) Transition Management – commencement and exit transition plans and de/re-establishment plans.

    (d) Financials – contract expenses, including management fee and margin.

    (e) Modern Slavery – Mandatory.

    (f) Child Safety – Mandatory.

    (g) Work Health & Safety – Mandatory.

    (h) Financial and commercial integrity – Mandatory.

(i) Required insurances – Mandatory.

(j) Material Acceptance of the City's Management Contract – Mandatory.

Performance Measurement

19. Subject to awarding the new contract, the successful tenderer's performance will be monitored through a range of methods including key performance indicators, regular reporting, site visits and independent surveys and reviews. Monthly, quarterly, and annual reports will track participation, financial performance, health and safety, and community engagement. Customer feedback and service reviews will ensure accountability and continuous improvement, allowing the Council to measure the service's impact on its strategic objectives and community benefits.

Risks

20. The City is responsible for the strategic planning and oversight of its active wellbeing services, which play a key role in promoting physical activity, improving public health and enhancing community resilience, particularly for underrepresented groups.

21. This approach is within the City's risk appetite, which states:

(a) We maintain a cautious appetite to financial risks, aiming to minimise the likelihood and impact of significant financial losses. We prioritise the protection of our financial resources and our long-term financial sustainability. We strive to ensure that our financial decisions are well informed, based on sound financial analysis and are aligned with our strategic objectives.

(b) Our risk philosophy is centred around achieving a balance between innovation, community and user satisfaction and risk management, ensuring that we meet our strategic objectives while maintaining a robust control environment.

(c) We have an open appetite for changes to procedures and practices to accommodate improved environmental outcomes.

(d) We have no appetite for any activities in our services for children and young people that pose a serious threat to their physical or psychological wellbeing. We will prioritise immediate corrective actions to eliminate such risks promptly.

(e) We aim to strike a balance between achieving our strategic objectives, implementing change and embracing innovation, and protecting our reputation.

Contract Variations

22. The existing contracts with Belgravia Health and Leisure Group Pty Limited as The Belgravia Leisure Unit Trust expire on 30 June 2025. A contract extension of 12 months, until 30 June 2026, is required to allow sufficient time to finalise negotiations and ensure a smooth transition to the new contract outside the peak summer period.

Financial Implications

23. The total estimated contract value and contingency for the 12-month extension with Belgravia Health and Leisure Group Pty Limited as Trustee for The Belgravia Leisure Unit Trust for the two fee-for-service contracts is detailed in Confidential Attachment A.

24. The required funding is reflected in the 2025/26 draft operating budget.

Relevant Legislation

25. The tender has been conducted in accordance with the Local Government Act 1993, the Local Government (General) Regulation 2021 and the City's Procurement and Contract Management Policy.

26. 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.

27. Attachment A contains confidential commercial information of the tenderers and details of Council's tender evaluation 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.

28. 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

29. Current contracts expire on 30 June 2025.Subject to Council approval of the requested extension to the existing contracts, the contract extension will commence on 1 July 2025.

30. A recommendation on the preferred supplier will be submitted to Council in December 2025 and subject to approval the new contract will be executed by March 2026 and will commence on 1 July 2026.[

Options

31. An alternate option is to take no further action. This option is not recommended because it would result in major service disruption with closure of the Cook and Phillip Park Aquatic and Fitness Centre, Ian Thorpe Aquatic Centre, Prince Alfred Park, Victoria Park and Andrew (Boy) Charlton Pools; and Gunyama Park Aquatic and Recreation Centre at the end of the current contract on 30 June 2025. The closure would impact the community's average 38,400 visits each week (1.993 million visits annually) and impact over 500 staff currently working at the centres.

32. Council carefully considered alternative management options, including in-house operation and Council company models, as outlined in the confidential report on the Future Management and Operation of Aquatic Leisure Centres. On 18 September 2023, Council endorsed outsourcing as the model best aligned with its strategic objectives. This tender directly implements that decision.

Public Consultation

33. No public consultation took place before the tender was released. However, a comprehensive communication plan will be developed to engage centre members and casual users, program participants, sporting clubs, community organisations, health and wellbeing groups, and other relevant partners throughout any service or operational transition process in 2026.

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