

**CITY OF MARION
GENERAL COUNCIL MEETING
24 JANUARY 2017**

CONFIDENTIAL REPORT

Manager: Carol Hampton, Manager City Property
General Manager: Abby Dickson, General Manager City Development
Subject: Marion Outdoor Swimming Pool – Service Review
Reference No: GC240117F02

If the Council so determines, this matter may be considered in confidence under Section 90(3)(d) of the *Local Government Act 1999* on the grounds that the report contains information relating to commercial information of a commercial nature (not being a trade secret) the disclosure of which (i) could reasonably be expected to prejudice the commercial position of a person who supplied the information, or confer a commercial advantage on a third party: and (ii) would, on balance, be contract to public interest



Adrian Skull
Chief Executive Officer

RECOMMENDATION

That pursuant to Section 90(2) and (3)(d) of the *Local Government Act 1999*, the Council orders that all persons present, with the exception of the following persons: Adrian Skull, Abby Dickson, Vincent Mifsud, Jaimie Thwaites, Yvette Zaric, Carol Hampton and Tyson Brown, be excluded from the meeting as the Council receives and considers information relating to the City of Marion Outdoor Swim Centre, upon the basis that the Council is satisfied that the requirement for the meeting to be conducted in a place open to the public has been outweighed by the need to keep consideration of the matter confidential given the information relating to commercial information of a commercial nature (not being a trade secret) the disclosure of which (i) could reasonably be expected to prejudice the commercial position of a person who supplied the information, or confer a commercial advantage on a third party: and (ii) would, on balance, be contract to public interest.

REPORT OBJECTIVES

To consider the Marion Outdoor Swim Centre (MOSC) Service Review Report which was considered by the Finance and Audit Committee at its meeting on 15 December 2016. As a result of the review two potential management options for the MOSC have been proposed. This report seeks Council direction on the two preferred options for the management of the MOSC.

It is recommended that this report be considered in confidence due to the report containing commercial in confidence information.

RECOMMENDATIONS

DUE DATES

That Council:

- | | |
|--|-----------------|
| 1. Notes the Marion Outdoor Swim Centre Service Review Report. | 24 January 2017 |
| 2. Endorses that the management of the Marion Outdoor Swim Centre remains in-house with refinements to improve position design and efficiencies implemented. | 24 January 2017 |

OR

- | | |
|--|-----------------|
| Endorses market testing the management of the Marion outdoor swim centre via a competitive tender process and report back to Council on the outcomes. | 13 June 2017 |
| 3. Notes that consultation requirements arising under applicable enterprise agreements are undertaken prior to any final decision being made in regards to outsourcing Marion Outdoor Swim Centre management model. <i>(Note this resolution is only required if Council resolves to market test the management model)</i> | 24 January 2017 |
| 4. In accordance with Section 91(7) and (9) of the Local Government Act 1999 the Council orders that this report, Marion Outdoor Swimming Pool – Service Review and the minutes arising from this report having been considered in confidence under Section 90(2) and (3) of the <i>Local Government Act 1999</i> , be kept confidential and not available for public inspection for a period of 12 months from the date of this meeting. This confidentiality order will be reviewed at the General Council Meeting in December 2017. | 24 January 2017 |

DISCUSSION

In 2016, a Service Review of the Marion Outdoor Swimming Centre (MOSC) (Appendix 1) was undertaken which focused on various management models.

Over the last few years a number of reviews have been undertaken on the swimming pool, these have included:

- BDO Service Review Report – January 2013
- Warren Green Report outlining potential management structures – October 2013
- Centre for Environmental and Recreation Manager (CERM) bench marking with like facilities in SA (2011).

These reviews have achieved improvements to the operations of the pool. While changes have been made to the operations and marketing, there have been no changes to the staff positions or structure.

The Service Review has identified several options as to how the Centre could operate in the future, challenging current thinking and current services level/practices focusing on increased efficiencies and increased income.

The Service Review assessed benefits, opportunity and risks for the five management models which could be implemented at MOSC, this included:

1. Retain status quo
2. In-house management with refinements to improve position design and efficiencies
3. Outsources with Management Agreement
4. Lease back
5. Close.

Consideration of the benefits, opportunities and risks were considered and two options were identified that could provide efficiencies and service improvements:

- In-house management with refinements to improve position design and structure; or
- Outsourcing the management of the MOSC to an external contractor.

The report recommended that Council should test the market via a competitive tender process for an external operator which delivers an improved financial return to Council and enhances service provision.

Should the tender process not deliver an improved management model then the MOSC would continue to be managed in-house with refinements to the existing staffing structure being implemented.

At the Finance & Audit Committee meeting on 15 December 2016 (FAC161216F01) the committee discussed the Service Review and noted:

- The MOSC is a valued service provided by Council which is well utilised by the Community
- Consideration needs to be given to the community and the public benefit and value rather than as an income generator
- Usage post the opening of the State Aquatic Centre remains comparable with other outdoor swimming centres indicating that an outdoor swimming centre is viable and delivering community benefit
- The MOSC salaries are the lowest per attendee. This suggests that good improvements have occurred already. The Committee suggested that the Master Planning should focus on items that will bring more attendees/revenue to the pool.
- The average per annum operating deficit of \$230K may be considered a reasonable investment of Council funds given the community benefit derived from the facility. The product offering should be reviewed to determine a point of difference and ensure services are responding to trends and community needs i.e. why would people choose to go to the Marion outdoor swimming pool
- Continue to focus on marketing the centre to increase attendance
- Consider sponsorship opportunities as a means to generate income

- Consider undertaking minor changes e.g. inflatable items which could increase patronage.

The Finance & Audit Committee members considered the options provided in the Service Review report and indicated the preferred option would be Option B – In-house management with refinements to improve position design and efficiencies. The committee was of the view that outsourcing the operations may not provide sufficient benefits.

Should Council endorse the option to retain management in-house the following improvements will be pursued:

- Review staffing structure to improve position design a better resource program planning during the offseason
- Reduce overtime and casual rates
- Improve marketing.

A review of the structure and position design will provide improved role clarity to remove duplication of responsibility, improved spread of working hours and potentially provide a more effective structure which will improve programming, capacity for revenue development and cost effective deployment of resources.

Should Council wish to pursue investigating the outsourcing the MOSC to an external provider, a competitive tender process would be undertaken to test the market. The following industrial implications need to be considered:

- The MOSC has two City of Marion employees and they are employed under the ASU Enterprise agreement which includes no forced redundancies
- Should Council implement an outsourced management model, City of Marion staff would need to be redeployed into a suitable alternative position. This may include a position of lower remuneration level if necessary but does not extend to a position which is more than one classification level below the employee's previously held substantive position
- If there are no suitable vacancies this could cost Council in the order of \$145,600 per annum plus annual increments
- Consultation with all relevant stakeholders in line with Council's Enterprise Agreement will need to be undertaken before any final decision is made. Consultation will be ongoing throughout the process.

CONCLUSION

This report seeks Council's direction on the two options recommended in the MOSC service review:

- In-house management with refinements to improve position design and structure; or
- Outsourcing the management of the MOSC to an external contractor.

Appendix 1 Service Review Report



Marion Outdoor Swim Centre Service Review Report

Version:

4

Date:

9 December 2016

Prepared by:

Abby Dickson – General Manager,
City Development
Deborah Horton – Unit Manager
Performance & Improvement
Melissa Nottle-Justice – Business
Improvement Officer

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Executive Summary

The review of the Marion Outdoor Swim Centre (MOSC) identified several options how the Centre could operate in the future, challenging thinking and current service levels/practices focused upon revenue and cost efficiency.¹ It has taken into consideration the work already achieved through the previous BDO and Warren Green review's and the Council resolution (GC080414R05) for the creation of a "Marion Outdoor Swimming Centre Master Plan – Business Case" and the goals included in the City of Marion Business Plan 2016 -19.² The review concludes further efficiencies and service improvements can be achieved through either;

- In-House management with refinements to improve position design and structure; or
- Outsourcing the management of the MOSC to an external contractor.

The report recommends that Council test the market via a tender process for an external operator which delivers an improved financial return to Council and enhances service provision.

Should the tender process not deliver an improved management model then the MOSC would continue to be managed in house with refinements to the existing staffing structure being implemented.

Consultation with all relevant stakeholders in line with Council's Enterprise Agreement will be undertaken before any final decisions is made.

Hypothesis

Prior to embarking upon the service review the following improvement levers were explored in order to determine where to invest detailed analytical effort;

- **Demand:** Assumed (upon empirical evidence) that the pool is valued by the community.
- **Process optimisation:** Possible process optimisation of administrative practices associated with the pool would not reap significant savings and therefore should not be pursued.
- **Productivity:** Preliminary third party management options of the centre could produce savings and should be pursued.
- **Automation:** Not a high enough volume of processes warranted further investigation and was not relevant for this review.
- **Value:** There are many opportunities to add value to the centre with minimum input resulting in maximum output such as;
 - increasing fees (50c per attendant will produce \$41,500)
 - marketing and growth of customer base (build upon work already undertaken in University South Australia Swim Centre Marketing Plan 2013 – implement, evaluate and report)
 - rent pursued from residence building (\$15k a year)
 - review of current contracts for services provided by externals
 - solar investment
 - wetlands investment
 - pursuing partnerships for programs to attract grant funding
- **Consolidation:** Pursue preliminary third party operation options with a base minimum dollar figure identified for such an option to exceed as a viable option.
- **Organisational Design:** Options regarding staffing should be considered and finalised in this review.

¹ As discussed at Finance & Audit Committee 4 October 2016 (FAC041016R7.11)

² The Marion Outdoor Swimming Centre Master Plan has not at the time of writing this report, been endorsed by Council. In addition, identified in the City of Marion Business Plan 2016-19, the Pool has two actions, the first is to present the Marion Outdoor Masterplan within 2016/17 financial year, completing the plan and seeking grant/partnership funding in 2018/19 financial year.

Background

1 Service reviews

The purpose of a service review is to understand the current and likely future state of a service. This report provides an analysis of a rigorous process as identified within the City of Marion Service Review Framework.

As a component of this service review, it has been benchmarked with pools across the metropolitan and regional areas in order to assess various components of its service from fees to staffing arrangements and management models.

1.1 Marion Outdoor Swim Centre review objectives

The objective of the service review is to assist the Council to understand the 'product' it is offering to its community,³ identifying future strategies regarding maintaining and improving customers experience and finding cost efficiencies via the modelling of future management options.

1.2 Service history

The Marion Outdoor Swim Centre (MOSC) has operated since 1976 and has provided a valued family friendly, recreational and fitness facility within the City of Marion. The MOSC contributes to CoM's strategic themes of a Liveable, Connected and Prosperous City. It supports active living and healthy lifestyles, connects communities and is as a major tourist attraction. The following facilities are available at the MOSC:

- Olympic Pool
- Learners & Toddlers Pool
- 60 Metre Water Slide
- BBQs and Kiosk

Throughout the season (October to April) a number of programs and services are offered including swimming lessons, school swimming programs, swim fitness coaching and birthday parties. These programs are supplemented by additional events throughout the season including open and picnic days and other "one-off" events.

At present the MOSC Team undertakes a number of key processes to support the provision of services at the facility and these can be summarised as:

- Service Delivery (including admissions, life guard, kiosk, cash handling)
- Kiosk Management
- Procurement and Supplier Management
- Daily Testing of Equipment and Completion of Safety Checklists
- Staff Management (including rostering, training)
- Budget Management
- Marketing

1.3 Attendance rates

The establishment of the indoor South Australian Aquatic and Leisure Centre (SAALC) in 2011/12 within the Council area has impacted on attendances and subsequent revenue at MOSC. Prior to SAALC's opening, attendances were 101,300 (2010/11) compared to 95,000 the year SAALC opened (2011/12) and 83,000 (2015/16). Essentially MOSC has not attained similar attendance rates since SAALC opened. Please refer Appendix 1 'Attendance Rates' for a fuller assessment.

³ As discussed at Finance & Audit Committee 4 October 2016 (FAC041016R7.11) Scoping document

In particular, the MOSC has seen a reduction in use by the education sector with an indoor aquatic facility being more reliable as it can be utilised by schools in all weather conditions.

The MOSC attendance rates post SAALC are comparable with benchmarked Adelaide metropolitan outdoor pools of 85,000 visits per season indicating the service is still well utilised by the community (refer to appendix 5). This indicates community demand for an outdoor facility within the City remains relatively high. Refer to Appendix 1 'Attendance Rates'.

1.4 Facility condition⁴

A 2015 Condition Audit report prepared by Tonkin Consulting provided a guide to prioritising future works that would be required to maintain and renew the facility to an acceptable standard. The report provided a current replacement cost, based on a "like-for-like replacement". The costs provided in the report did not allow for improvement in service levels, increased functionality or enhancements to the facility.

The major pool structures are due for renewal around 2045 based on the residual life provided in the Tonkin audit.

The recent GHD Building Condition Audit has indicated that the useful remaining life of the buildings is 25 years.

Council has recently undertaken a master plan process which has identified opportunities to improve the amenity of the facility which is starting to look tired and outdated. Future investment in the facility will be required should Council wish to be comparable with other metropolitan outdoor swimming centres. An analysis has been undertaken regarding investment costs, however Council is yet to determine what components of the business case are preferred. It should be noted that all of the metropolitan pools benchmarked against (Salisbury, Unley, TTG and Burnside) have undergone major developments.

1.5 Satisfaction of the service

Customer satisfaction levels with the facility have indicated the facility is valued by patrons who use the facility. Refer to Appendix 2 'Satisfaction of the Service'.

1.6 Marketing plan

During 2013 a Marketing Plan for the MOSC was developed. This Plan built upon the findings detailed in two previous bodies of work commissioned by the City of Marion including;

- 2012, CERM Performance Indicators Project: Marion Aquatic Centre undertaken by the Centre for Tourism and Leisure Management, University of South Australia
- 2013 Marion Swim Centre Service Review conducted by BDO.

There were four strategies identified within the Marketing plan including:

1. Ensure product offering meets customer needs
2. Increase consumer knowledge of the Marion Swim Centre
3. Develop partnerships with beneficial parties
4. Capture and analyse customer information

Within these four strategies, 17 overarching objectives were identified, with 50 individual actions aligned to these objectives. To date 60% of the actions have been completed.

⁴ Source: Warren Green Consulting, Final Report - Marion Swimming Centre Review October 2013

It is essential the MOSC is staffed with a manager that has commercial and marketing skills to design, promote and deliver services which meet customer needs. Please refer to Appendix 3 'Marketing Plan' for further details.

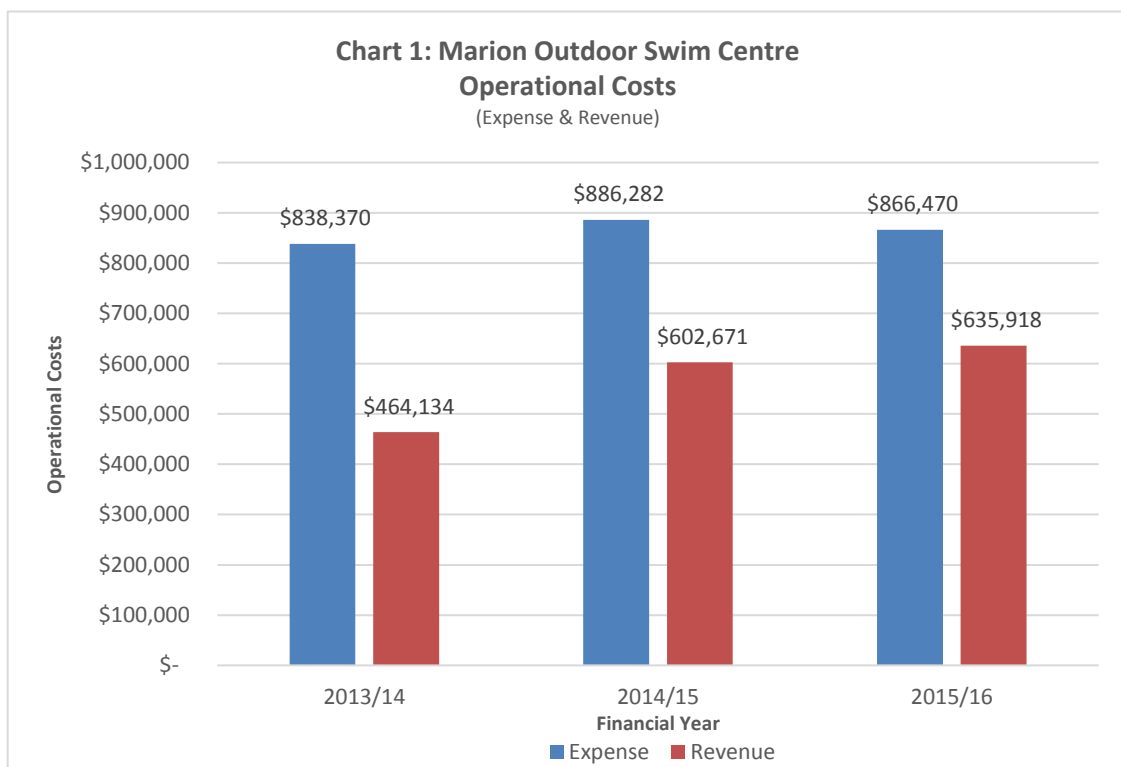
1.7 Expenditure and revenue

The MOSC operates at a deficit of approximately \$230k per year down from \$283k in 2014/15 and \$394k in 2013/14. This decrease is attributed anecdotally to a combination initiatives including the installation of the new water slide which has increased attendances and marketing plan strategies.

Salaries produce the most significant cost (representing 56% of operational expenses). Operational expenses are approximately \$866k per year.

Chart 1 displays the MOSC expenses and revenue details for the past three financial years, for further detailed financial information please refer to Appendix 4 'Expenditure and Revenue'.

Revenue for the past 2 years has been over \$600k. In 2013-14 revenue was significantly lower and is attributed to the waterslide not being in operation. It should be noted revenue can vary significantly across years due to weather conditions.



The Review

2 Methodology and project stakeholders

The methodology for the review has included:

- Review of previous MOSC reports
- Staff consultation
- Benchmarking
- Financial analysis
- Consideration of industrial implications
- Management options assessment

3 Key findings

3.1 Benchmarking

For the purpose of this service review, external benchmarking was conducted across South Australian Local Government outdoor swimming centres to enable a comparison across a broad range of aspects e.g. season period, admission numbers, type of facilities. The key themes identified in the benchmarking are detailed below, for the comprehensive benchmarking report, please refer to Appendix 5 'Benchmarking Analysis';

- The average length of the operating season was 28 weeks with MOSC slightly below the average of 26 weeks
- The number of operating hours per week at MOSC was 91 which was above the average of the other metropolitan swimming centres at 89.5
- Staff costs per hour were \$206 at Marion, compared to an average of \$209⁵ at metropolitan swimming centres
- There was a variation noted in the staff costs per week by metropolitan swimming centres, with Marion 1% over the average at \$18,770, however this 1% increase is due to longer operating hours
- The majority of metropolitan Councils have undergone redevelopments to improve amenity which indicates that the MOSC *may* be considered outdated compared to other facilities

3.2 Financial benchmarking

It is important to note that the figures provided relating to the financial operation of the centres must be viewed with the knowledge that it has been provided confidentially in good faith and with divergent account reporting techniques and systems. It is with this in mind that the data should be seen as a guide only. Please refer to Table 1 for revenue and salary rates per attendee below;

⁵ This is an average figure based on the staffing details provided to us from other Councils and do not compare like staffing arrangements

Table 1: Revenue and Salary rates per Attendee

	City of Marion	City of Burnside (George Bolton Swimming Centre Burnside)	City of Norwood Payneham and St Peters (Norwood Swimming Pool)	City of Norwood Payneham and St Peters (Payneham Swimming Pool)	City of Salisbury (Salisbury Swimming Centre)	City of Tea Tree Gully (Waterworld Aquatic Centre)	City of Unley (Unley Swimming Centre)	Alexandrina Council (Strathalbyn Community Swimming Pool)	Town of Gawler (Gawler Aquatic Centre)	The Rural City of Murray Bridge (The Murray Bridge Swimming Centre)
Revenue	\$635,918	\$705,633	\$ 179,320	\$350,113	\$288,000	\$ 1,352,000	\$720,420	\$150,000	\$296,858	\$165,000
Staffing Costs	\$488,000	\$643,544	\$306,516	\$ 349,052	\$343,000	\$967,000	\$636,250		\$380,250	\$243,000
Patronage	83,000	100,000	35,000	75,000	55,000	155,000	90,000	19,500	53,000	40,000
Revenue per attendee	\$7.66	\$7.06	\$5.12	\$4.67	\$5.24	\$8.72	\$8.00	7.69	\$5.60	\$4.13
Salaries per attendee	\$5.88	\$6.44	\$8.76	\$4.65	\$6.24	\$6.24	\$7.07	\$-	\$7.17	\$6.08

4 Management options

There are a range of management models which could be implemented at MOSC which include and are detailed further below;

- Retain status quo
- In-House management with refinements to improve position design and efficiencies on either a low or high scale
- Outsourced with Management Agreement
- Lease back
- Close

Option A: Retain status quo

Marion Outdoor Swim Centre \$Ms	NPV ⁶ 10 years	NPV Benefit against current operations	Utilisation	Risk	Complexity	Key assumptions
Do nothing	(\$2.2m)	N/A	83,000	Low	Low	<ul style="list-style-type: none"> • Customer engagement and costs remain in line with 15/16 fin year.

Benefits and Opportunities	Risks
Full control over service, program and product quality, pricing, marketing, staffing levels etc.	Specialised industry program and sales and marketing knowledge is not always available from within the council structure.
Outcomes are aligned to Council's strategic plan.	Local government Award rates are generally higher than leisure industry rates which increases costs.
Full recognition of Council ownership through branding - maximises community recognition of services provided by Council.	Council required to provide all equipment to operate the facility.
Council retains full control on facility cleaning, maintenance of plant and equipment standards.	Council assumes all financial and operational risk.
Retention of all revenue and full control over all costs.	May require additional administration (human resource management, financial reporting, etc.) at the facility or within Council administration.
Greater influence over risk management and compliance issues.	Effective in-house management is time consuming, compared to monthly contract management meetings.
No profit share/management fees.	Facility management can be constrained by slow moving council processes which can impact on speed to react to new trends or opportunities. Council continues to be exposed to the risk of being overly reliant on two CoM employees. High rates of overtime continue to be paid.

⁶ NPV = Net Present Value

Option B: In house management with refinements to improve position design and efficiencies

This option would include changes to the staffing structure which would improve position design, reduce overtime and casual rates and provide improved support for programed planning and marketing.

Marion Outdoor Swim Centre \$Ms	NPV ⁷ 10 years	NPV Benefit against current operations	Utilisation	Risk	Complexity	Key assumptions
Focussed improvement	(\$1.0m)	\$1.3m	106,554	Low	Low	<ul style="list-style-type: none"> • Opportunities taken to increase patronage further through marketing • Manage pricing • Reduce costs where possible • Rent residence to recoup \$ • Capital investment aligned to recommendations in GHD Report • Solar, energy efficiencies sought • Reduction of casual rate cost (10%) • Nominal increase to attendance fee

Benefits and Opportunities	Risks
Full control over service, program and product quality, pricing, promotions & marketing, branding, staffing levels etc.	Specialised industry program and sales and marketing knowledge is not always available from within the council structure – capacity of staff to run marketing program and operate facility.
Outcomes are aligned to Council's strategic plan.	Local government Award rates are generally higher than leisure industry rates which increases costs.
Full recognition of Council ownership through branding - maximises community recognition of services provided by Council.	Council required to provide all equipment to operate the facility.
Council retains full control on facility cleaning, maintenance of plant and equipment standards.	Council assumes all financial and operational risk.
Retention of all revenue and full control over all costs.	May require additional administration (human resource management, financial reporting, etc.) at the facility or within Council administration.
Greater influence over risk management and compliance issues.	Effective in-house management is time consuming, compared to monthly contract management meetings.
No profit share/management fee.	Facility management can be constrained by slow moving council processes which can impact on speed to react to new trends or opportunities.
Improvements to staffing structure and contract managements to mitigate current risk of being overly reliant upon two staff members, reducing overtime and improving position design.	Increase in CoM employee contracts which reduces future flexibility of a decision is made to outsource management.

⁷ NPV = Net Present Value

Option C: Outsourced with Management Agreement

This option involves a contract management agreement with an independent management group. Under this arrangement the external operator would assume exclusive responsibility for the management and operation of the facility subject to the management agreement. This model enables the market to determine the viability of the pool with Council and the external operator responsibilities being clearly outlined in the contract. Given the MOSC operates at a deficit it is more likely external operators would seek a management agreement and joint sharing of financial risks with Council.

Marion Outdoor Swim Centre \$Ms	NPV ⁸ 10 years	NPV Benefit against current operations	Utilisation	Risk	Complexity	Key assumptions
Outsource - low	(\$1.0m)	\$1.2m	106,554	Med	High	<ul style="list-style-type: none"> Option considered is to outsource operations entirely to a third party with a commercial contract that preserves support to the community. Concept is for provider to leverage scale in marketing, purchasing and staff pooling. 10% reduction in costs with one staff retained at Marion.
Outsource - high	(\$0.4m)	\$1.8m	106,554	Med	High	<ul style="list-style-type: none"> Option considered is to outsource operations entirely to a third party with a commercial contract that preserves support to the community. Concept is for provider to leverage scale in marketing, purchasing and staff pooling. 15% reduction in costs with no staff retained at Marion.

Benefits and Opportunities	Risks
Council retains responsibility for delivery of service outcomes via a contractual arrangement with an experienced industry operator.	Financial leakage can occur if the centre generates high levels of income / profit beyond what was anticipated –this can be negated by incorporating profit sharing arrangements that reflect council's ownership of the facility.
Financial and service risk is minimised through the transfer of some risk to the Contractor.	The scope of service outcomes, unless accurately prescribed in the contractual arrangements can be compromised as contractors will focus on the higher income earning activities.
Council is able to obtain specialised industry knowledge, contemporary sales and marketing expertise and operate with a structure that provides speed to react to opportunities.	Facility cleaning, maintenance and repair of plant and equipment can be variable and may potentially become the source of contention.
Centre overheads are reduced via the movement of centre staff to a leisure industry award reducing operating deficit.	Council has less control and influence of the day to day activities and outcomes and is required to performance manage the contract.
As part of the Management Offering, Contractors typically will provide activity equipment including IT, Fitness and Activity Equipment.	Depending on the length of the agreement entered into, the outsourcing term can be too long for Council if the performance of the operator is variable or too short for a contractor to receive an adequate return on investment.
Contractors are able to become investors into facility infrastructure in return for long term	Council is exposed to risk of Contractor failure through inadequate working capital or poor

⁸ NPV = Net Present Value

<i>Benefits and Opportunities</i>	<i>Risks</i>
tenancy. This provides Council with a long term management partner.	business performance at the contracted facility or other facilities under management.
Potentially minimises public risk through well-developed systems.	Future changes in external operators may result in disruption to service and or costs in changeover.
Revenue from the facilities likely to be optimised.	Staff/Union resistance to change in employment contracts.
Tender process can facilitate competitive operational performance if multiple providers exist in the region.	Community concern outsourcing management of the facility may result in lowering of service standards or places future of MOSC at risk.
Council retains oversight and control through the establishment of service, safety, financial and community benefit KPIs which are reported on a monthly basis.	

Should Council approve an outsourced Management model the above risks would be mitigated through strategies such as:

- Staff and Union consultation in line with the Enterprise Agreement requirements
- Communications strategy developed to inform Community of the changes
- Staff are provided with appropriate support during change period
- Clear delineation of risk and responsibility included in the management / lease agreement including maintenance and operational responsibilities
- Clarification of future ownership of intellectual property including database information and systems and processes
- Monthly meetings and open book reporting
- Outsourcing must be aligned with the general objectives and philosophy of Council
- KPIs developed regarding customer service, WHS, risk management and financial performance

Financial Implications

Benchmarking indicated that Councils who have outsourced the management of the agreements typically have a management agreement with the following broad provisions:

- Service standards and monthly reporting requirements of operator
- Council sets service standards
- Council pays an Operator a management fee of approximately 10% of operational expenses
- The Operator takes responsibility for operational expenses, daily maintenance and staffing
- Council retains responsibility for capital renewal and maintenance works above \$2000-\$5000
- There is joint sharing of financial risks

Specific details of contracts were not provided as they are commercial in confidence.

Should Council wish to pursue this option a competitive tender process would be undertaken to market test whether financial and service performance can be improved via an external Operator managing the MOSC. It would be prudent for Council to ensure at the minimum such an arrangement should:

- Improve staffing costs by 10%
- Improve service provision
- Ensure no escalation of costs or minimal costs (capped)
- Financial risks to Council are decreased
- Increase attendance
- Any management or administrative fees charged to Council are attributed to net expenses not operational expenses

Industrial Implications and staffing redeployment costs

The MOSC has two City of Marion employees and they are employed under the ASU Enterprise agreement which includes no forced redundancies.

Should Council implement an outsourced management model City of Marion staff would need to be redeployed into a suitable alternative position. This may include a position of lower remuneration level if necessary but does not extend to a position which is more than one classification level below the employee's previously held substantive position.

If there are no suitable vacancies this could cost Council in the order of \$145,600 per annum plus annual increments.

Option D: Lease back

This option involves selling the property and lease back at 10% of current value. All operations remain with Council.

Marion Outdoor Swim Centre \$Ms	NPV ⁹ 10 years	NPV Benefit against current operations	Utilisation	Risk	Complexity	Key assumptions
Lease back	(\$0.3m)	\$1.9m	106,554	Low	Medium	• Based upon current value.

Benefits and Opportunities	Risks
Council no longer liable for the whole of life costs associated with the asset.	Market appetite unknown.
	Financial implications.
	Staff/Union resistance to change in employment contracts.
	Community concern outsourcing management of the facility may result in lowering of service standards or places future of MOSC at risk.
	Council no longer controls future community use of the asset beyond term of the lease.
	Asset is classified as Community Land and it is unlikely Ministerial approval would be provided to sell this asset with current community usage.

Given the risks associated with this option and the public value currently being derived from the MOSC, Option D is not recommended to Council.

⁹ NPV = Net Present Value

Option E: Close the Facility

This option involves selling the property and ceasing the service.

Marion Outdoor Swim Centre \$Ms	NPV 10 years	NPV Benefit against current operations	Utilisation	Risk	Complexity	Key assumptions
Close	\$0.3m	\$2.5m	0	Severe	Medium	<ul style="list-style-type: none"> Sale of property (assumed current value) and closure of facility. Significant ratepayer impact with removal of service

<i>Benefits and Opportunities</i>	<i>Risks</i>
Reduce debt through sale revenue.	Significant impact upon patrons – local and wider Adelaide community.
	No forced redundancies require CoM staff to be redeployed with meaningful and equivalent level of work.
	Significant reputational risk to council with wide spread media coverage.
	Industrial action highly likely.

Option E is not recommended to Council given the public value currently derived from the MOSC.

5 Recommendations

The review concludes further efficiencies and service improvements can be achieved through either:

- In-House management with refinements to improve position design and structure; or
- Outsourcing the management of the MOSC to an external contractor.

The report recommends that Council test the market via a competitive tender process for an external operator which delivers an improved financial return to Council and enhances service provision.

Should the tender process not deliver an improved management model then the MOSC would continue to be managed in house with refinements to the existing staffing structure being implemented.

Consultation with all relevant stakeholders in line with Council's Enterprise Agreement will be undertaken before any final decisions is made. Consultation will be ongoing throughout the process.

The following recommendations are made in relation to this particular service:

#	Recommendation	Due date	Action Officer	Position
1	Consultation requirements arising under applicable enterprise agreements are undertaken prior to a report being considered by Council potential outsourcing	December 2016	Carol Hampton	Manager City Property
2	That Council test the market via a tender process for an external operator which delivers an improved financial return to Council and enhances service provision	May 2018	Carol Hampton	Manager City Property
3	That Council consider a report in the first quarter of regarding the Masterplan for the Marion Outdoor Swimming Centre	April 2018	Carol Hampton	Manager City Property