

2.1 COUNCIL SWIMMING CENTRES

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PURPOSE OF REPORT

The purpose of this report is to seek the Council's approval to undertake a procurement process for the management of the Payneham Memorial Swimming Centre and the Norwood Swimming Centre and to advise the Council on the impact of incorporating a gymnasium to the Payneham Memorial Swimming Centre to support the operations of the Centre.

BACKGROUND

The Council manages two (2) aquatic centres, namely:

- the Payneham Memorial Swimming Centre (PMSC) which was established in 1968 and comprised three (3) pools, including an 8 lane 50 metre lap pool, a learner's pool, and a toddler wading pool; and
- the Norwood Swimming Centre (NSC) which was opened in 1956 comprising a 6-lane outdoor 50 metre pool and a smaller outdoor pool designed for learners and toddlers.

The Council has managed and operated both Centres since the Centres were opened to the public.

In 2014, the Council initiated a review of the City's Swimming Centres. On 4 December 2017, the Council endorsed the *Swimming Centres Long Term Strategy* which included a proposal to undertake a range of renewal and upgrades of the Payneham Memorial Swimming Centre and Norwood Swimming Centre.

The Council's *Swimming Centres Long Term Strategy* sets out the direction for both the NSC and the PMSC. The key components within the Strategy include retention of two outdoor pool facilities in the City of Norwood Payneham & St Peters and the provision of diverse aquatic recreational opportunities, including:

- lap swimming;
- swim coaching/squads;
- learn to swim lessons (private, group and school);
- recreational aquatic play;
- aquatic fitness; and
- community and family gatherings.

Following a series of design stages, at its meeting held on 2 May 2022, the Council considered a report which presented the schematic Design for the redevelopment of the Payneham Memorial Swimming Centre and following consideration of the report, the Council resolved the following:

- c. *That the Schematic Design for the Payneham Memorial Swimming Centre contained in Attachment D, be endorsed as the basis of preparing the construction documentation.*

The detailed design and documentation for the Payneham Memorial Swimming Centre was subsequently completed in May 2023 and at its meeting on the 11 December 2023, following consideration of the outcome of an Open Tender process to appoint a main contractor to construct the new Centre, the Council resolved:

That the contract to undertake the construction of the Payneham Memorial Swimming Centre Redevelopment Project be awarded to the preferred tenderer, Badge Constructions SA Pty Ltd.

Construction of the new PMSC commenced in early 2024, with a current estimated practical completion date of March 2026. Table 1 below provides a high-level overview of Badge's Contract Design and Construction Program:

TABLE 1: BADGE CONSTRUCTION'S CONTRACT DESIGN AND CONSTRUCTION PROGRAM

Milestone	Target Date
Construction commencement (completed)	February 2024
Civil and remediation works (completed)	August 2024
Completion of pool halls and buildings	November 2025
Internal fit-outs, external works and handover	February 2026
Practical completion	March 2026

The redeveloped PMSC includes:

- an 11m x 20m indoor learners pool;
- an 8 lane 25m indoor pool;
- a 10 lane 50m pool;
- a 14m tower with two outdoor water-slides;
- an outdoor zero depth waterplay area; and
- ancillary facilities including a café / kiosk.

FINANCIAL AND BUDGET IMPLICATIONS

Operating Forecast

BRM Advisory has been engaged to prepare an updated financial model which provides an estimate of the expected financial performance of the PMSC over the next ten (10) years. This builds on the work undertaken to-date by the Council to model the operational performance of the PMSC as part of the Prudential Report that was considered by the Council at its meeting held on 11 December 2023.

The BRM Model includes two scenarios, the first based on the current endorsed building design and the second based on the inclusion of a gymnasium (which is detailed later in this report).

The 10-year forecast trading performance of the PMSC based on the current endorsed design is shown in **Attachment A**.

The 10-year forecast trading performance of the PMSC based on the inclusion of a gymnasium is shown in **Attachment B**.

Both models are based on the PMSC operating under an external management model.

In summary, the net operating EBITDA (earnings before interest, tax, depreciation and amortisation) based on the endorsed design is estimating a first-year deficit in the order of \$1.20m, reducing to approximately \$0.95 million once the facility reaches maturity in year 4.

If a gymnasium is constructed as part of the Centre, for the purposes of comparison, it is estimated that it would become operational on 1 July 2027 (one (1) year after the opening of the PMSC), impacting on the second year of the PMSC financial modelling. On this basis, the net operating EBITDA of the model inclusive of a gymnasium shows a predicted PMSC second year deficit of \$0.7 million (in comparison to the second-year swimming pool only forecast result of \$1.1m deficit) improving to an approximate break-even EBITDA after the gymnasium reaches maturity approximately four (4) years after opening (including an assumed 1,500+ gymnasium members). On this basis, the forecast calculates a 7-8 year payback period on the proposed \$4.9m investment in the gymnasium and associated carpark, with \$1 million + annual improvements in EBITDA in each future year of the model once gymnasium memberships reach maturity.

If an internal management model is adopted, BRM Advisory recommends that an additional provision of 10% be added to the existing forecast net deficit in each of the first three (3) years of the Council's Long-Term Financial Plan, to recognise the additional uncertainty of trading outcomes under the internal model. Following this initial period, it is reasonable to assume that net financial performance under both models could be similar however it must be noted that there is a high level of uncertainty in seeking to predict the different financial outcomes under both models.

Long Term Financial Plan

The \$4.9m required to construct the gymnasium and associated carpark is under current arrangements with the Local Government Finance Authority (LGFA).

'Pool Only' model (no gymnasium) delivers a slightly more conservative financial profile, with:

- lower peak debt;
- slightly better Net Financial Liabilities and Debt Servicing Ratios;
- maintains a positive Operating Surplus throughout the period, though lower than the gym-inclusive model;
- offers more financial flexibility, preserving the Council's capacity to respond to future strategic or community needs; and
- may be better aligned with a risk-averse financial strategy or where borrowing headroom is a concern.

The 'Pool with Gymnasium' model, forecasts stronger financial returns over time, illustrated through the higher Operating Surplus Ratio, indicating better long-term earning capacity. However, this model pushes the Council close to its maximum borrowing capacity, particularly in the years following the gymnasium's construction (estimated at \$4.9m with the proposed carpark). This positioning leaves very limited scope for other capital initiatives or unplanned infrastructure needs over the planning period. Additionally, while gymnasium better aligns with sustainable service growth and community demand, gymnasium profit forecasts are estimations only, and actual performance will depend on market demand, competition, and operational efficiency.

Impact on the Operations of the Norwood Swimming Centre

The operation of the PMSC is anticipated to result in a decline in financial performance of the Norwood Swimming Centre. Whilst it is difficult to model, the impact on revenue may be in the order of 20% in addition to escalating costs associated with maintaining an asset which is at end of life.

Gymnasium Construction

The capital cost of constructing the recommended gymnasium solution (as outlined within this report and illustrated as Option 1 in **Attachment D** and **Attachment E** is estimated at \$4,131,872 (first order estimate).

Gymnasium Impact to Carpark

The preferred design concept for the proposed gymnasium, displaces 37 carparking spaces whilst simultaneously increasing the required carparking provision. This results in a requirement to provide a net increase of an estimated 84 additional carparking spaces. The proposed solution involves the construction of a new carpark on Patterson Reserve adjacent Turner Street as illustrated in **Attachment F**. The capital cost of constructing this carpark is estimated at \$770,000. This cost estimate includes \$100,000 to replace and relocate the existing sport nets, however no usage analysis or scoping has been undertaken to determine if the sport nets are required or if a cheaper solution may be identified.

Start-up Costs

The implementation of either an internal or external management model will require a range of pre-operational requirements with an associated budget impact:

- internal management model start-up: \$670,000; and
- external management model start-up: \$390,000.

Independent Review

With an external management model that as part of the contract with the external management company, it is recommended that an external independent review of operational performance be undertaken during year 3 post opening of the Centre. This is estimated to cost \$30,000.

Dilapidation Report

Where the NSC is included as part of an external management model, it is recommended that a dilapidation report be commissioned to enable the appropriate setting of asset maintenance and management requirements throughout, and on the completion, of the management contract. This is estimated at \$3,000.

Carpark Design

The existing PMSC project has been designed to incorporate a school/event buses which will step down on OG Road.

It is intended to undertake a traffic management consultancy to ensure this remains a suitable strategy (or identify an alternate solution) for the safe dis-embarkment/embarkment of children and that there is adequate provision for buses to park during events. The cost of the consultancy is anticipated to be \$35,000 which will be funded from the 2024-2025 Budget.

RESOURCE ISSUES

The operationalisation of the PMSC requires a range of specialist and dedicated resources. The nature and extent of these resources varies according to whether an internal or external management model is deployed. These resource requirements are discussed throughout this report.

RISK MANAGEMENT

Operating an aquatic facility comes with a degree of operational risks which the Council has historically accepted. These risks can range from business-as-usual type risks (i.e. managing additional staff, meeting community expectations around service levels, reputational risk from customer service expectations) to those which are potentially catastrophic (i.e. severe injury / death of a patron). Under the historical internal operating model, the Council has responsibility for compliance with a range of legislation and regulation relating to safety around water, water quality, child protection, food service etc. It is possible to transfer a number of these operational risks to an external provided under an external management model.

CONSULTATION

- **Elected Members**
An Elected Members' Information Briefing Session was held on 9 December 2024.
- **Community**
Not Applicable.
- **Staff**
Not Applicable.
- **Other Agencies**
Not Applicable.

DISCUSSION

Local Government has a long history of owning and managing aquatic centres. Many of these facilities were built 50-60 years ago and were principally designed to provide a place for the community to 'cool down' and swim for fun.

More recently constructed aquatic facilities, are often larger and more complex from a design perspective in order to respond to a broader range of community interests and to generate improved financial performance by combining a mixture of community and commercial service offerings. The skills and expertise required to manage modern aquatic centres has evolved reflecting both the complexity of a modern aquatic centre's design (e.g. sophisticated plant, and significant competition from other recreational products vying for people's discretionary time) and budget.

There are two primary options to progress the management of the PMSC, namely:

1. *Internal Management Model*

An internal management model will require the Council to resource the management and operations of the PMSC like any other service that is delivered by the Council. This would involve staff employed at the PMSC operating under endorsed delegations and reporting through the organisational structure to the Council.

Under this model, the Council has total control, accountability and bears all of the risks for the operation of the PMSC. Unfettered control is an advantage of this option, allowing the Council to create programs and services that are targeted at specific groups within the community which need support and/or to implement practices to drive a desired financial or community outcome.

However, progressing this option would require the Council to develop a new suite of systems, policies and processes commensurate with operating a modern and state of the art aquatic facility and carries with it a higher level of operational, reputation and financial risk.

2. *External Management Model*

An external management model involves outsourcing the operations of the PMSC to another party for a fixed term. The outsource model delegates management and operational responsibility to a private or not-for-profit aquatic specialist manager, under a Management Agreement or some other form of written contract.

Under this model, the role of the Council is to manage a contract to operate the PMSC under a set of agreed parameters, generally with the goal of achieving certain specified community and financial outcomes.

The management of any contract of this nature requires resourcing (i.e. a skilled contract manager). The success or failure of external management models can often, in part, be attributed to the quality of the contract and relationship management processes put in place by the Council.

Benchmarking

Both management models can be effective (and ineffective) for managing aquatic assets and there are examples of each being implemented by South Australian Councils. It should be noted that a majority of new aquatic centres have employed an external management model. These include the Salisbury Aquatic Centre, Summit Aquatic and Leisure Centre (Mount Barker District Council), Wulanda (City of Mt Gambier) and Fleurieu Regional Aquatic Centre (City of Victor Harbour and Alexandrina Council). The last new major aquatic centre commissioned under an internal management model was the Arc by Campbelltown City Council in 2017.

Table 2 below illustrates examples of the management models being utilised by other Councils:

TABLE 2: EXAMPLES OF AQUATIC CENTRE MANAGEMENT MODELS IN OTHER COUNCILS

Internally Managed Aquatic Centres	Externally Managed Aquatic Centres
George Bolton Swimming Centre Burnside (City of Burnside)	Aquadome (City of Playford)
The Arc (Campbeltown City Council)	The Rex Barossa Aquatic Fitness (The Barossa Council)
Gawler Aquatic Centre (Town of Gawler)	Fleurieu Regional Aquatic Centre (City of Victor Harbor and Alexandrina Council)
Marion Outdoor Pool (City of Marion)	Mount Barker Mountain Pool (Mount Barker District Council)
Noarlunga Leisure Centre (City of Onkaparinga)	Wulanda (City of Mount Gambier)
Waterworld Aquatic Centre (City of Tea Tree Gully)	Salisbury Aquatic Centre (City of Salisbury)

Future Management Model at the PMSC

Whilst the Council has a long history of internally managing its two (2) swimming centres, the new PMSC is a significantly larger and more complex operation which will operate 365 days per year (as opposed to a summer only facility). The Council's existing systems and processes used to manage the NSC and the former Payneham Swimming Centre, will not be suitable for managing the requirements of the new PMSC. By way of example, in 2023-2024 the Council employed 4.86 FTE to work at the NSC. The expected staffing requirements at the PMSC could be upwards of 30 FTE across a workforce of 100 staff (head count). For success, the PMSC will also require the implementation of a specialised Customer Management System to capture customer information, distribute marketing collateral and make bookings for Learn To Swim and Gym members/classes (if applicable).

Internal management of the PMSC would require a significant upfront investment in:

- new IT systems and processes to support operations;
- payment and finance systems which are commensurate to the scale of the PMSC;
- a comprehensive suite of new policies and procedures including those to ensure customers are safe, procedures to manage sophisticated pool plant and dangerous chemicals etc.;
- development of a suite of PMSC specific plans including Marketing, Operational, Resource Planning, Quality Management etc;
- back-office capacity and capability within the organisation to accommodate a new multimillion revenue generating business, including recruitment and HR, accounting and financial reporting, risk management etc.

Most new aquatic facilities which have recently come online have initially implemented an external management model and selected an operator with existing systems and processes that can be brought in to support operations. External managers such as YMCA and Belgravia and new entrants to the South Australian market such as Bluefit and Aligned Leisure, can bring valuable expertise and systems to the Council including:

- access to a much greater level of specialist industry and senior management expertise (e.g. external managers typically operate aquatic centres as their core business and are often running multiple aquatic centres across South Australia/Australia). In turn, external managers offer an in-depth, competitive and contemporary understanding of aquatic centre management, service design and plant and pool maintenance knowledge;
- increased business continuity support through access to proprietary systems and methods e.g. customer management systems/technology that enable the management of services and resourcing such as staffing;

- intellectual property e.g. modern learn to swim methodologies/products that support positive educational outcomes and customer retention and lifeguarding management systems;
- access to an existing large and skilled workforce (e.g. are able to draw staff, such as Learn To Swim Instructors), from other sites under their management and provide structured development and career paths for lifeguards and learn to swim instructors; and
- access to important supplier relationships and economies of scale to make the procurement of goods and services faster and more efficient.

As a new Centre, the advantages of an external manager are amplified as their expertise, experience and systems, assist in removing risk and complexity during the initial years of opening and building the PMSC as a functioning entity. External managers have previous experience opening new aquatic centres and bring with them tested strategies, practices and systems to develop a customer base that assists to achieve a successful start-up.

Key start up tasks under both management models include:

Internal Model	External Model
Recruit a Centre Manager and support resource (either on staff or as a contractor) to be responsible for start-up planning and execution.	Procurement process to identify a suitable manager including developing a procurement plan, assessing tender responses and identifying a preferred supplier.
Internally develop systems, policies and processes to enable effective and safe operation of the facility.	Development and execution of a legally binding management contract
Contract with a labour hire firm that can support the recruitment of lifeguards, learn to swim and reception staff.	Working with the preferred provider to approve relevant policies, procedures and pre-opening plans which will be developed by the Centre Manager.
Contract with other supporting suppliers to enable operations including point of sale systems, customer management systems, food and beverage for cafeteria, aquatic suppliers, merchandise, etc.	Implementation of a contract management framework to ensure that NPSP is extracting maximum value from the external management arrangement and holding the Manager to account on performance.

Due to a lack of available market evidence for the internal model under start up conditions, there are challenges in estimating the start-up costs of an internal model relative to an external model. Much will depend on the access to external labour and the Council's ability to recruit staff with experience commissioning a new centre. BRM Advisory has assisted staff to create the table below which provides a high-level estimate of the approximate range of start-up costs under each management model.

Start-up Cost	Internal Management Model	External Management Model
Project Management (contracting)	\$nil	\$145,000
Recruitment costs of management staff	\$50,000	\$nil, responsibility of the manager and included in Management fees.
Operational procurement including IT systems, POS systems, security systems, aquatic equipment etc. etc.	\$50,000	\$nil, responsibility of the manager and included in Management fees.
Recruitment of casual staff workforce	\$nil, assumed to engage labour hire and pay as operational cost.	\$nil, responsibility of the manager and included in Management fees.
Establishment labour costs including development of suite of written policies and procedures.	\$200,000. Assumes 1.5 new FTE for 12 months.	\$nil, responsibility of the manager and included in Management fees.
Develop new supplier relationships + procurement costs	\$25,000	\$nil, responsibility of the manager and included in Management fees.
Overhead allocation charge for NPSP Corporate support for new operational systems and processes	\$100,000	\$nil, responsibility of the manager and included in Management fees.
Pre-opening costs including facility commissioning and marketing	\$245,000	\$245,000
APPROXIMATE TOTAL START-UP COST	\$670,000	\$390,000

Marketing costs

The pre-opening costs currently include an allocation of \$100,000 for marketing. This includes an opening event, external website development, photography, facility style guidelines, brand development and some promotion. Whilst a portion of these costs are discretionary, there is an assumed relationship between the investment in marketing and demand creation (i.e. opening with an active user base versus building a user base over time).

Operational financial performance – internal vs external management model

Regardless of which model is progressed, at least initially, the Council would be expected to accept the majority of the financial risk associated with the operations of the PMSC and will be required to provide an operational subsidy to support operations of the Centre.

Therefore the success of either model and the financial outcomes, are dependent on a large number of variables, seeking to quantify an expected financial outcome of one model against another represents a significant challenge.

If an external model is progressed, the Council would be required to pay the external contractor a Management Fee and an Administration Fee, which is usually equal to approximately 5-10% of revenue. The exact administrative and management fee structure proposed by each external contractor will only be known as an outcome of a tender process.

If an internal model is progressed, the Council can save on administration and management fees but would instead need to develop a governance structure for the PMSC and provide corporate support to the operation including accounting and finance, customer service, risk management, human resources, payroll and information technology.

The capacity to generate revenue under either model can differ based primarily on the quality of the Managers / staff providing the service but it is generally expected that an external contractor can leverage its scale and experience to deliver additional revenue relative to an internal model, assuming the management contract contains appropriate contractual incentives for the manager to take an appropriate level of operational risks and to be entrepreneurial in their approach.

Management model key risk considerations

- Attracting and retaining managers:

The PMSC is a state-of-the-art modern aquatic centre. If an internal management model is progressed, the Council would need to enter the employment market to identify and recruit a qualified and experienced aquatic manager, preferably with experience in commissioning new aquatic centres.

It is possible that the Council could seek to recruit such an individual from one of the existing recreation managers in the market, or from another Council, however, the availability and access to this type of resource is difficult to source and is not certain.

The success of the internal model is heavily reliant on recruiting and retaining a quality Centre Manager.

Conversely, the market for external operators is well understood. It is expected that the Council would have access to select between at least four (4) external operators with experience in commissioning new aquatic facilities.

- Enterprise Agreements:

The Council's current Enterprise Bargaining Agreements are generally not well suited to the provision of aquatic services and operating across the span of hours that are required to operate the Centre. It is for this reason that many Councils running internal models utilise the services of a labour hire firm to recruit lower-level positions on their behalf.

If an internal model is progressed, it is recommended that the Council should utilise the services of a labour hire company. This would however, require the Council to manage any actual or perceived inequities this causes when comparing the employee benefits available for those staff working in the aquatic centre compared with other services being provided by the Council.

- Management focus:

Under an internal model, the Council would need to develop governance structures to oversee and monitor the performance of the Centre Manager and the operation of the PMSC.

The Council would also need to undertake a contract management role to manage the performance of the External Manager. This is an important role where the skills and expertise can play a critical role in ensuring a productive and effective relationship with the External Manager is maintained.

It is likely that the total administration and management overheads consumed will be less under an external model than an internal model.

External advice

During 2024, advice has been sought from BRM Advisory, in respect to the optimum management model for the PMSC.

This work was presented at an Elected Members' Information Briefing Session in December 2024 at which BRM Advisory provided Elected Members with an overview of the work undertaken to date. A copy of the presentation is included in **Attachment G**.

Following consideration of all the relevant issues, as outlined in this report, it is recommended that an external management model be progressed, characterised as follows:

- seek an external manager on a fee for service basis to manage the PMSC on a 3 year + 7-year management contract;
- during Year 3, conduct an independent review of the performance of the PMSC (and the Manager) during the first two (2) years of operation to inform the Council's decision on whether-or-not to extend the management contract for the final seven (7) years and under what commercial terms. A budget provision of \$30,000 for this review is recommended; and
- seek to share financial risk for the remaining seven (7) years of the contract with the Manager (profit share arrangement as opposed to a fee for service arrangement) so both the Council and the Manager share in the financial successes (or otherwise) of the facility.

This recommended approach allows the Council to obtain the benefits of engaging with a specialist manager to support the commissioning process and the early years of trading and provides the flexibility for the Council to either continue with the external model or to pivot following the first three years of trading to an internal model if there is a compelling case to do so.

Whilst the adoption of a review process provides some degree of assurance, the aspired position should reflect a preference to utilise the findings of the review to test/confirm financial performance to inform the operation of the remaining seven (7) years of the contract. It should be noted that a pivot to a new management solution will bring about cost and a varying degree of effort depending on whether a new external manager or an internally managed approach is pursued.

Post opening financial forecasts

During 2023-2024, the Council developed an initial forecast for the operational performance of the PMSC. This forecast was used as the basis for the assumptions contained within the Council's current Long Term Financial Plan.

In 2024 BRM Advisory was engaged to prepare an updated forecast for the PMSC. The forecast prepared by BRM Advisory assumes that the Council will progress an external management model and therefore, incorporates a provision for management / administration fees.

If an internal management model is progressed, the forecast would need to be updated to remove management fees, include corporate overheads and to factor in the higher variability of potential outcomes under the internal management model. While noting that forecasting the change in expected performance between internal and external management models is inherently challenging, BRM Advisory has provided the following advice:

- start-up costs are highly likely to be materially higher for the Council under an internal model, as the Council cannot rely on previous experience and existing systems to implement at the PMSC. External providers are generally willing to provide existing start-up intellectual property to new sites in exchange for a long-term management contract;
- revenue generation capacity post-opening, may be slightly lower under an internal operating model on the basis that external operators have customer attraction strategies and tried and tested marketing techniques to drive patronage, particularly around Learn to Swim programming;

- operational costs in the early years could be higher or lower, depending on the extent to which the Council is able to attract experienced and competent staff and for those staff to make good decisions about programming and service delivery. There would be a direct saving in management fees if the Council progresses an internal model however it is expected these savings would be offset by additional administrative tasks and costs placed on the Council's shared services functions such as finance, payroll, governance, IT etc.

If the Council determined to progress an internal model, BRM Advisory recommends that an additional provision of 10% be added to the existing forecast net deficit in each of the first three (3) years of the LTFP, to recognise the additional uncertainty of trading outcomes under the internal model. Following this initial period, it is reasonable to assume that the net financial performance under both models could be similar however it must be noted that there is a high level of uncertainty in seeking to predict the different financial outcomes under both models.

Gymnasium

Gymnasiums are fast becoming a desirable and commercially viable part of a modern aquatic facility. All publicly owned indoor aquatic facilities in metropolitan Adelaide have a gymnasium.

A gymnasium allows for a customer to obtain a full-service aquatic and fitness membership and represents as a differentiator to other gymnasium offerings (e.g. the 24/7 self-service gym). The desired space for a contemporary gymnasium typically requires a floor area between 530-650m² which includes space for a gym, multipurpose area (e.g. for exercise classes, storage and wet areas).

The PMSC does not currently incorporate or make provision to accommodate a gymnasium. Over the last few months, investigations have been undertaken to assess the feasibility of including a gymnasium as part of the Centre. Site constraints and maintenance of the existing PMSC project schedule and potential contractual issues with the main contractor have added complexity to these investigations.

Whilst a range of scenarios have been considered, five (5) possible options have been considered in more detail.

Two (2) of these involved constructing a second storey structure over the PMSC pavilion building, either built as part of, or separate to, the PMSC project. These options offer a highly integrated solution, providing a more seamless customer experience.

Whilst achievable, progressing either of these options impacts on the design, engineering, approvals and materials used within the PMSC project. Consequently, progression of these options would materially impact the PMSC project timeline (estimated at 7 months or more). In addition, the works would constitute a variation to the existing construction contract with the main contractor, Badge and hence, be costed in accordance with existing contract arrangements (as opposed to constructing an independent structure and sourcing quotes through a competitive procurement process).

Following consideration of these implications, and the higher costs, these options were not pursued further.

In all scenarios, the inclusion of a gymnasium necessitates the provision of an estimated additional 47 carparks. A proposed solution is discussed further within this report and illustrated in **Attachment E – Proposed Carpark To Offset Gymnasium Impact**.

Three (3) options were pursued in further detail and are outlined below:

- Gymnasium Option 1 – ground level stand-alone structure on the southern side of the PMSC pavilion building, protruding into the car park.

Estimated cost: \$4,131,872

This option provides an integrated solution with the PMSC pavilion and supports a seamless customer experience. A key advantage relates to the structure being separate to the PMSC. Whilst it would still require access points to be established within the PMSC pavilion, the construction can occur independently from the PMSC project meaning that it could be progressed immediately or be deferred.

The primary disadvantage relates to the loss of car parks (estimated at 37 car parks) which will be required to be replaced. A solution to replace lost car parks, in addition to provide additional car parks, is discussed later within this report.

Whilst construction of the gymnasium will have some disruption to PMSC operations, it is likely that most services could continue to be delivered.

The location of this option is illustrated in **Attachment D**.

A concept design is included as **Attachment E**.

Option 1 is recommended.

- Gymnasium Option 2 – second story stand-alone structure on the southern side of the PMSC pavilion building, protruding over the carpark.

Estimated cost: \$6,441,431

This Option involves the construction of a stand-alone second level structure adjacent to the PMSC pavilion, protruding into the carpark. It mirrors Option 1, however seeks to minimise the impact on the carpark.

In addition to the advantages described in Option 1, it offers a reduced level of impact on car parks (i.e. approximately 16 car parks lost versus 37 car parks lost in Option 1). However, the elevated design and the need for a lift and stairs add substantially to the cost and represents low value when considering the number of car parks it retains. In this respect, the options to replace lost car parks as discussed later within this report represents a significantly cheaper solution than delivering an elevated gymnasium.

Whilst construction will have some disruption to PMSC operations, it is likely most services could continue to be delivered.

The location of this option is illustrated in **Attachment D**.

A concept design is included in **Attachment E**.

Option 2 is not recommended.

- Gymnasium Option 3 - Inclusion of a gymnasium within the Payneham Library building.

Estimated cost: \$5,031,546

In addition to a small expansion of the building's footprint, this would involve the relocation of the library operations to the western side of the Payneham Library building to enable a connection between the PMSC and the gymnasium, which would be established where the library currently exists.

Whilst this option also provides an opportunity to provide a new fit-out at the Payneham Library, its disadvantages include:

- a. the location of the PMSC plant significantly undermines design solutions that enable this solution to be properly and seamlessly integrated within the PMSC. As a result, the utilisation of the Library building provides a less than ideal customer experience, requiring customers to navigate the entire PMSC complex, and travel outside, to arrive at the entrance of the gymnasium. It is considered that this disjointed approach may impact the commerciality of the gymnasium.

In addition, it introduces a loud activation type in comparison to the quiet activation that typically occurs within the adjoining library. Whilst some of this noise may be able to be mitigated through design, there are potential limitations when retrofitting an existing building; and

- b. displaces existing customers who utilise the rooms for hire. The current occupancy rate for these rooms is 36% with room hire revenue generated approximately \$25,000 in 2023-2024. The occupancy rate across all of the Council's hire venues is 23% meaning that there is likely capacity to transition impacted customers to other venues.

Implementation of this option will introduce disruption to the Payneham Library services.

The location of this option is illustrated in **Attachment D**.

A concept design is included as **Attachment E**.

Option 3 is not recommended.

The inclusion of a gymnasium, based on the design contained in Option 1, together with the proposed carpark outlined further in the report, forecasts a 7-8 year payback period on the proposed \$4.9 million investment in the gymnasium and carpark, with \$1 million + annual improvements in EBITDA in each future year of the model once gym memberships reach maturity.

For the purposes of comparison, adopting a gymnasium operational date of 1 July 2027 (one year after opening of the PMSC), impacts on the second year of the PMSC financial modelling. On this basis the net operating EBITDA of the financial modelling, inclusive of a gymnasium, shows a predicted PMSC second year deficit of \$0.7 million (in comparison to the second-year swimming pool only forecast result of \$1.1m deficit) improving to an approximate break-even EBITDA after the gymnasium reaches maturity approximately four (4) years after opening (including an assumed 1,500+ gymnasium members).

The \$4.9 million required to deliver the gymnasium is under the allowed Maximum Borrowing determined by the Local Government Finance Authority (LGFA) of \$110,000,000.

Carpark

The current PMSC carpark provision contains 97 spaces supported by an additional 67 spaces adjacent to the Payneham Library.

The recommended gymnasium solution removes approximately 37 spaces which are required to be replaced. In addition, the gymnasium introduces a requirement to provide an estimated additional 47 spaces.

The PMSC carpark adjoins the neighbouring property's carpark, occupied by DXC Technology at 196 O G Road, Felixstow, as illustrated in the image below:

Image of the PMSC and DXC Technology Carpark



On 11 February 2025, the Chief Executive Officer wrote to DXC Technology to explore the potential to expand the PMSC carparking arrangements into their carpark. In response, DXC Technology has indicated that it will be returning 800 employees to the site over the next nine (9) months, working seven (7) days per week. Hence, its carpark will be fully utilised.

In the absence of being able to utilise the DXC Technology carpark, two (2) locations have been considered to provide additional carparking, namely:

1. extending the southern car-park design towards the War Memorial. Whilst this is an ideal location, the site is not large enough to accommodate the required number of car parks. Further the War Memorial and gardens is also listed as a Local Heritage Place, adding to the complexity of any re-development.
2. construction of a new carpark at the northern end of Patterson Reserve, along Turner Street, as illustrated in **Attachment F**. The construction of this carpark is estimated to cost \$770,000.

The utilisation of this site will impact on the existing use (clubs and dog training), including removal of the existing sport nets.

It is noted that the clubs that currently use Patterson Reserve, utilise the lawn area for carparking.

The cost estimate includes a \$100,000 allocation for the replacement and relocation of the sport nets however, it should be noted that no demand analysis or scoping to determine if a smaller/cheaper alternative has been undertaken. Negotiation with the relevant clubs will also need to be undertaken to identify an alternate location.

Time limited parking controls in this location will also need to be considered to ensure the parking provision is not consumed by club members.

Carpark Design

The existing PMSC project assumes and has been based on school/event buses will step down along OG Road.

OG Road experiences high volumes of traffic movements and may not serve as the most ideal location to provide schools the required confidence to be able to effectively manage the dis-embarkment/embarkment of children. In addition, school/event buses typically stay on-site for the duration of their passenger's participation, and hence, require a holding location. Given the expansion in activity (e.g. the potential gymnasium, return of employees to DXC, etc) it is prudent to review how buses visiting the site are managed.

In this respect, it is intended to undertake a traffic management consultancy to inform a suitable approach. The cost of the consultancy is anticipated to be \$35,000 which will be funded from the 2024-2025 budget.

UNITING COMMUNITIES – ALDERSGATE

Uniting Communities is progressing its development of their Aldersgate Residential Aged Care Facility, located on the corner of OG Road and Turner Street, building on their award-winning U-City development in Adelaide, to deliver an integrated intergenerational community including:

- aged care/specialist dementia care;
- residential aged care;
- retirement living;
- affordable housing;
- specialist disability accommodation; and
- health and education services, etc.

An important element of the Aldersgate design, relates to a desire for the development to serve the broader community as well as those that reside there. In part, this is evidenced through a significant provision of open space delivered as 'community space'.

The Uniting Communities project provides an opportunity for the Council to:

- consider the connection of the Council's adjacent assets, including the Payneham Memorial Swimming Centre, Library Complex and Patterson Reserve precinct with the Aldersgate Residential Aged Care Facility; and
- leverage shared interests to shape and services e.g. library to respond to the increased demand generated by the development.

In this regard, Council staff have been partnering with Uniting Communities to explore how a shared approach to precinct planning could shape both amenity and services to maximise community impact. A part of this work has included joint consideration of an application to the Federal Government's \$150m urban Precincts and Partnerships Program (uPPP).

The uPPP supports both precinct development proposals and the delivery of construction-ready precinct projects through two (2) streams:

- Stream One: Precinct development and planning
 - Project funding of between \$500,000 to \$5 million is available to activate partnerships and deliver an investment-ready precinct plan.
- Stream Two: Precinct delivery
 - Project funding of \$5 million to \$50 million is available to help deliver one or more elements of a precinct. This could include enabling public infrastructure (roads, pathways, underground infrastructure), open spaces between elements, or a particular building/s that is the catalyst for, or complements, other investment within a precinct.

Uniting Communities has agreed to work with the Council, with Uniting Communities acting as the lead, on a joint submission for Stream One funding to progress the development of a investment-ready precinct plan. This would enable planning of shared interests, such as car parking, community activation, linkages, etc and enable both parties to take advantage of future funding sources. If a joint Application for Stream One funding is successful, this does not commit the Council to the future expenditure within the precinct. Rather, it enables the Council to better plan and document its desired vision for the precinct should future funding opportunities become available to enhance existing facilities

This partnership approach strengthens potential interest in attracting funds to the precinct, as it enables both parties to leverage shared purpose in a unique way to:

'create an intergenerational precinct that brings together citizens from diverse demographics by challenging conventional urban design and service delivery models, to establish a precinct that integrates smart technologies and fosters opportunities for those typically isolated in segregated environments, enabling:

- *older South Australians to fully participate in community life alongside children, adolescents, and families;*
- *people living with dementia to feel engaged and included;*
- *unique learning experiences for young children and adolescents, offering spaces to explore, play, and interact with their environment within a precinct that actively promotes and facilitates intergenerational participation;*
- *increased participation and inclusion for individuals with disabilities; and*
- *strengthened community capacity for health and wellbeing.'*

A copy of Uniting Communities presentation that was provided at the Elected Members' Information Briefing held on 17 January 2025, is included as **Attachment H**.

NORWOOD SWIMMING CENTRE

Condition of Asset

The Norwood Swimming Centre commenced operation in the mid-1950s and the 50m pool shell is approximately 70 years old, which is 20 years greater than the anticipated design life of 50 years.

Generally, the Centre reflects its age, both in terms of condition, function, accessibility and commerciality.

Whilst recent repairs have enabled the Centre to continue to operate, there is an increasing risk to the continuity of service due to the NSC's age. This is particularly true for the 50-metre pool shell where tree roots, cracks in the pool structure, poor workmanship in (the tiling), pipe retro-fits and previous repairs and misaligned and incorrectly installed movement joints, contribute to this risk.

The most recent repairs undertaken in 2023, to address significant water loss (100,000 litres per day) within the 50-metre pool were thought to likely last up to four (4) to five (5) years.

A report undertaken at that time by mlei (Consulting Engineers) noted that:

- there are significant tree roots on both sides of the 50-metre pool which are exacerbating cracks in the pool walls as well as coming through leaking joints between the soiled water return trough and the pool shell;
- movement joints are past their serviceable life and are leaking;
- the soiled water return troughs are no longer within their serviceable design life and the size of the troughs are likely no longer capable of allowing for compliant rates of water turn-over;
- the existing tiled finish is at the end of its serviceable life; and
- the cementitious grout has deteriorated exposing the sharp edges of tiles.

It is possible that over the coming years, the extent of deterioration of the 50-metre pool will result in a failure to the extent that it may be unable to be repaired.

Whilst the pool shell can be remediated in a variety of ways, significant intrusion into the pool shell and surrounds would be required, thereby triggering a requirement for the pool to be compliant with the Australian Building Code (e.g. to provide accessibility (*Disability (Access to Premises – Buildings) Standards 2010*) and to meet contemporary water filtration standards. In addition, it is highly likely that such remediation may also require the supporting infrastructure e.g. buildings and pedestrian pathways), to be renewed in accordance with the Australian Building Code. On this basis, it is likely that remedial works would be cost-prohibitive and that re-development would be required (assuming the Council continues to retain two (2) aquatic centres within the City).

The NSC complex is also listed as a Local Heritage Place, adding to the complexity of any re-development of the facility. With respect to the Local Heritage listing, the Norwood Pool is identified as an important example of a Council swimming centre inspired by the Melbourne Olympics, being the first of its kind erected in South Australia. The development implications arising from its listing as a Local Heritage Place require – all things being equal – the retention and protection of the original form of the building (being the pool and changeroom facility), its setting and all associated original fabric, as viewed from the road. Whilst this does not necessarily preclude a redevelopment, any adaptive re-use of the facility will need to take this into account. Alternatively, the Council could seek to undertake a Planning Code Amendment to seek to remove the heritage listing.

Indicatively, a redevelopment may cost more than \$10 million (e.g. in 2023, \$8.7 million was spent upgrading the Thebarton Aquatic Centre). Given the lower levels of participation at NSC (e.g. in comparison to the PMSC) and the existing investment from the South Australian Government with the North Adelaide Aquatic Centre, it is suggested that there would be a lower likelihood of attracting grant funds to support a redevelopment.

Simultaneously, the opening of the PMSC will introduce significant competition, which in turn will further undermine the financial performance of the NSC. In this respect, whilst a redevelopment of the NSC may assist to address this, both facilities will operate within the same market and hence, together, represent an increased cost for delivering similar levels of service that could be achieved by the PMSC alone.

Whilst the NSC remains operational, it is timely that the Council considers the long-term future of the asset. In addition to a redevelopment, the Council could consider alternate opportunities that reduce both the capital and operational cost whilst diversifying the Council's service offerings. Freely accessible 'water parks', such as BHP Biliton Water Park, Elizabeth Quay and Maylands Waterland, Maylands in Western Australia are successful examples that provide unique and high-quality recreation opportunities to the community with water serving as the central theme.

Typically, these parks feature shallow water pools, interactive water fountains, water play elements etc in combination with shade, toilets, change facilities, picnic tables etc. These parks provide freely accessible and interactive spaces that leverage water play to bring families/community together and provide a unique learning experience to support sensory stimulation and cognitive development, development of fundamental movement skills, support social interaction and communication skills and encourage creativity and imagination.

Importantly, these types of developments assist to address the ongoing decrease in the development of fundamental movement skills and escalating incidence of inactivity, obesity and poor cardiorespiratory fitness in children.

Images of BHP Biliton Water Park, Elizabeth Quay (Western Australia)



Images of Hyde Park Water Playground, Highgate and Maylands Waterland, Maylands (Western Australia)



There is no immediate need for the Council to make a decision on this matter. However, as previously advised, the Council needs to be cognisant of the fact that both the PMSC and the NSC will be competing with each other for patrons.

Norwood Swimming Centre Management

From a management perspective, it is preferable that the same management solution is adopted for both Centres. This provides a range of benefits, including:

- consistent branding and customer service;
- improves the scale of operations, maximising the use of human resources, corporate solutions, etc;
- offers customers a consistent experience e.g. utilisation of the same learn to swim curriculum/product in both Centres; and
- enables capacity of both sites to be considered when programming services.

If an external management model is chosen, the condition of the asset and the NSC's operational performance, should be considered. External management models introduce a shared responsibility for the asset both in terms of operational performance/continuity and asset maintenance. Older facilities, such as NSC, introduce a much broader range of risks which results in greater levels of uncertainty/reliability of operating and asset performance. If not managed correctly through procurement, this uncertainty may manifest as a reduced market response or less competitive proposals.

To address this, it is suggested that the NSC be offered as a simple Fee For Service arrangement for the life of the management contract and that the Council commission a dilapidation report for the NSC, to provide improved clarity and to manage expectations in regards to the condition of the asset. The commissioning of a dilapidation report for the NSC is estimated at between \$2,500 and \$3,000.

It should also be expected that the operation of the PMSC will impact on the patronage at the NSC. For the 2023-2024 swimming season, the Norwood Swimming Centre:

- realised a total income of \$264,495 and total expenses of \$725,643 resulting in an operating deficit of \$461,148 against a budgeted operating deficit of \$395,716 (excluding depreciation and internal costs e.g. human resource management, finance, management etc);
- attracted 39,573 attendances during the 2023-2024 season, representing a decrease of 898 attendances compared to the 2022-2023 season;
- Swim School revenue was \$40,785 for the 2023-2024 swimming season, a decrease from \$48,439 during the 2022-2023 season. This was likely a result of a delayed opening and milder weather; and
- school water safety swimming lessons, conducted by the Department of Education and Royal Life Saving South Australia, decreased from 5,593 participants in 2022-2023 to 4,072 participants in 2023-2024. This was due to Vale Park Primary School moving its program to the Adelaide Aquatic Centre.

Whilst it is difficult to model, the impact on revenue may be in the order of 20% in addition to escalating costs associated with operating and maintaining an asset which is at end of life.

Given the complexities of the NSC, where an external management option is preferred, it is recommended that the procurement of an external manager focus on the PMSC and that negotiation regarding the management of the NSC, be undertaken with the preferred manager to determine if a mutually agreeable commercial arrangement can be achieved.

Swimming Clubs

The Payneham Swimming Club and the Norwood Swimming Club have a long history at both of the Council's Centres. Both Clubs shared a 'club room' at the PMSC, which was used to store club memorabilia, undertake fitness training, hold meetings etc.

As part of the PMSC design, two (2) 70m² 'club rooms' were incorporated to support potential lease arrangements with both Clubs. On 13 December 2024, the Payneham Swimming Club (which is the smaller of the two (2) Clubs) advised that the Club was being dissolved.

The Norwood Swimming Club currently utilises the NSC. No club room is provided and the Club pays lane hire fees and their members pay entrance fees.

Preliminary discussions with the Club has identified a desire to access a space within the PMSC for training, conducting meetings, accessing kitchen facilities and supporting storage needs, etc.

A new Leasing and Licensing Policy is currently being developed for the Council's consideration in the coming months. It is expected that this will consider the Council's approach to lease fees for sporting clubs and that this, if approved, will inform the lease arrangements for occupancy, if desired, by the Club. Lane hire and NSC member entrance fees would continue to be charged.

Where an external management model is preferred, it is proposed that the lease arrangements with the Club be provided for as a 'sub-let' arrangement of the management agreement. This would support a working relationship between the Club and the External Manager, underpinning consistent and flexible management of the PMSC. Lease fees would be captured as part of the Centre's operating budget.

Council staff will continue to work with the Club to ensure its needs are considered as part of the development of the management agreement.

Proposed Process

The PMSC project is progressing well with the expected practical completion still scheduled for March 2026. Following practical completion, the Council becomes responsible for the PMSC.

Under an external management model, operationalising an aquatic centre takes approximately six (6) weeks. As there are no recent local examples of an internal management model, it is difficult to predict a timeline in which operationalisation may be achieved. It is reasonable to assume however, given the comparative scale and experience of an external manager, that they are able to achieve a more efficient implementation.

An important consideration relates to the planned opening date. Before settling on an opening date, it is imperative that the project is progressed sufficiently to provide confidence that all of the necessary steps can be completed on time. Similarly, it is equally important that an opening date is determined early enough to enable the proper planning of marketing and opening activity. In this regard, it is likely that an opening date can be more fully considered towards the end of 2025/beginning of 2026.

If an internal management model is the Council's preferred approach, the steps would involve:

- start-up management costs (e.g. skilled aquatic centre manager engaged for approximately 12 months before opening);
- development and implementation of various opening strategies ranging from commercial marketing strategies to standard operating practices (SOP) plant;
- information technology systems, licenses and support;
- contracting of various operational services e.g. cleaning, waste, etc; and
- corporate services, ranging from extensive recruitment and onboarding to business-as-usual impact across almost all corporate services.

A budget allocation of \$425,000 across 2024-2025 – 2025-2026 would be required to facilitate this approach in readiness for the pre-startup stage.

If an external management model is the Council's preferred approach, the key steps would include:

- development of a procurement strategy;
- approach to market;
- tender assessment;
- contracting;
- commissioning;
- marketing;
- start-up; and
- opening.

A budget allocation of \$145,000 across 2024-2025 – 2025-2026 would be required to facilitate this approach in readiness for the pre-startup stage.

This is a complex and time-intensive process that will take up to twelve (12) months to deliver. The success of this process is key to achieving the appropriate foundations for the future operation of the PMSC. To support this process, it is proposed to engage an external project manager to lead, in partnership with the Council and coordinate all of the activities until the opening day.

OPTIONS

- Payneham Memorial Swimming Centre

The Council essentially has two (2) options in respect to the management of the Payneham Memorial Swimming Centre.

The Council can determine to adopt an internal management model or an external management model for the Payneham Memorial Swimming Centre.

On the basis of the reasons set out in this report it is recommended that the Council adopts an external management model.

- Norwood Swimming Centre

The Council can determine to adopt the same management model for the Norwood Swimming Centre as the Payneham Memorial Swimming Centre or adopt a different management model.

On the basis of the reasons set out in this report it is recommended that the management of the Norwood Swimming Centre as part of an external management model be considered.

COMMENTS

Nil

RECOMMENDATION 1

That pursuant to Section 90(2) and (3) of the *Local Government Act 1999* the Council orders that the public, with the exception of the Council staff present, be excluded from the meeting on the basis that the Council will receive, discuss and consider:

(b) information the disclosure of which –

- (i) could reasonably be expected to prejudice the commercial position of the Council; and
- (ii) would, on balance, be contrary to the public interest;

by the disclosure of sensitive commercial and financial information of the Council's Swimming Centres and the Council is satisfied that, the principle that the meeting should be conducted in a place open to the public, has been outweighed by the need to keep the receipt/discussion/consideration of the information confidential.

RECOMMENDATION 2

1. That the management and operations of the Payneham Memorial Swimming Centre be outsourced to an external manager.
2. The commencement of a procurement process to identify an external manager for the Payneham Memorial Swimming Centre, be approved.
3. That the Chief Executive Officer be authorised to enter into the negotiation of terms under which the Norwood Swimming Centre may be incorporated into an external management solution.
4. A budget allocation of \$145,000 be authorised to support the engagement of resources to facilitate the operationalisation of the Council's Swimming Centres.
5. The Chief Executive Officer be authorised to undertake negotiations with the preferred external manager, noting that the results will be presented to the Council for approval.
6. The Chief Executive Officer be authorised to undertake negotiations with the Norwood Swimming Club for the purposes of entering into a sub-lease arrangement to be incorporated into the external management contract that will be presented to the Council for approval.
7. That detailed design work to include a gymnasium into the Payneham Memorial Swimming Centre pavilion building, be progressed and presented to the Council for approval.
8. The Council notes that detailed designs for a new carpark on the northern end of Patterson Reserve, along Turner Street will be progressed, to provide an additional 84 carparks and will be presented to the Council for approval.
9. That design work on a bus step-down and bus holding areas be progressed (at an estimated cost of \$35,000).
10. That the Chief Executive Officer be authorised to write to the Norwood Swimming Club indicating a desire to negotiate the terms and conditions of potential occupancy of the Payneham Memorial Swimming Centre once a management solution is finalised.
11. That the Chief Executive Officer be authorised to hold discussions with the Local Government Finance Authority regarding the proposed gymnasium in the context of the current borrowing limits and notes that the outcomes of the decisions will be reported back to the Council.

RECOMMENDATION 3

Under Section 91(7) and (9) of the *Local Government Act 1999* the Council orders that the report, discussion and minutes be kept confidential for a two (2) year period.

Cr Holfeld moved:

That pursuant to Section 90(2) and (3) of the Local Government Act 1999 the Council orders that the public, with the exception of the Council staff present [Chief Executive Officer, General Manager, Governance & Civic Affairs, General Manager, Infrastructure & Special Projects, General Manager, Urban Planning & Environment, General Manager, Community Development and Administration Assistant, Governance & Civic Affairs], be excluded from the meeting on the basis that the Council will receive, discuss and consider:

(b) *information the disclosure of which –*

- (i) could reasonably be expected to prejudice the commercial position of the Council; and*
- (ii) would, on balance, be contrary to the public interest;*

by the disclosure of sensitive commercial and financial information of the Council's Swimming Centres and the Council is satisfied that, the principle that the meeting should be conducted in a place open to the public, has been outweighed by the need to keep the receipt/discussion/consideration of the information confidential.

Seconded by Cr Knoblauch and carried unanimously.

Short Term Suspension of Proceedings

At 7.36pm, with the approval of two-thirds of the Elected Members present, the Mayor suspended the meeting proceedings pursuant to Regulation 20(1) of the *Local Government (Procedures at Meetings) Regulations 2013*, for up to one (1) hour, to enable informal discussion regarding this matter.

Resumption of Proceedings

The meeting resumed at 8.39pm.

Cr McFarlane moved:

- 1. That the management and operations of the Payneham Memorial Swimming Centre be outsourced to an external manager.*
- 2. The commencement of a procurement process to identify an external manager for the Payneham Memorial Swimming Centre, be approved.*
- 3. That the Chief Executive Officer be authorised to enter into the negotiation of terms under which the Norwood Swimming Centre may be incorporated into an external management solution.*
- 4. A budget allocation of \$145,000 be authorised to support the engagement of resources to facilitate the operationalisation of the Council's Swimming Centres.*
- 5. The Chief Executive Officer be authorised to undertake negotiations with the preferred external manager, noting that the results will be presented to the Council for approval.*
- 6. The Chief Executive Officer be authorised to undertake negotiations with the Norwood Swimming Club for the purposes of entering into a sub-lease arrangement to be incorporated into the external management contract that will be presented to the Council for approval.*
- 7. That detailed concept design work to include a gymnasium into the Payneham Memorial Swimming Centre pavilion building, be progressed and presented to the Council for approval.*

8. *The Council notes that detailed designs for a new carpark on the northern end of Patterson Reserve, along Turner Street will be progressed, to provide an additional 84 carparks and will be presented to the Council for approval.*
9. *That design work on a bus step-down and bus holding areas be progressed (at an estimated cost of \$35,000).*
10. *That the Chief Executive Officer be authorised to write to the Norwood Swimming Club indicating a desire to negotiate the terms and conditions of potential occupancy of the Payneham Memorial Swimming Centre once a management solution is finalised.*
11. *That the Chief Executive Officer be authorised to hold discussions with the Local Government Finance Authority regarding the proposed gymnasium in the context of the current borrowing limits and notes that the outcomes of the decisions will be reported back to the Council.*

Seconded by Cr Sims and carried.

Division

Those in favour:

Cr Piggott, Cr Whittington, Cr Sims, Cr Granozio, Cr McFarlane, Cr Callisto, Cr Mex and Cr Moorhouse.

Those against:

Cr Holfeld, Cr Knoblauch and Cr Duke.

The Mayor declared the motion carried.

Cr Sims moved:

Under Section 91(7) and (9) of the Local Government Act 1999 the Council orders that the report, discussion and minutes be kept confidential for a two (2) year period.

Seconded by Cr Duke and carried unanimously.

Attachment A

Confidential

Council Swimming Centres

(Not for Release)

Partially Released



Attachment B

Confidential

Council Swimming Centres

(Not for Release)

Partially Released



Attachment C

Confidential

Council Swimming Centres

Partially Released



Impact To Long Term Financial Plan

For Pool Only (outsourcing Model)

Draft Long Term Financial Plan Update	Current Year	Projected Years									
	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34	2034/35
RATE REVENUE INCREASE	8.50%	8.00%	7.00%	6.50%	6.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%
Operating Surplus Ratio	4.7%	0.8%	0.2%	1.4%	3.1%	1.5%	2.3%	3.4%	4.6%	5.9%	7.5%
Net Financial Liabilities Ratio	142.60%	148.64%	151.23%	158.72%	160.99%	157.03%	152.08%	142.96%	132.97%	122.05%	109.80%
Asset Renewal Funding Ratio	117.81%	96.22%	98.30%	106.23%	104.72%	98.42%	110.34%	107.10%	108.59%	114.39%	113.36%
Interest Cover Ratio	1.85%	5.40%	5.93%	6.24%	6.53%	6.89%	6.67%	6.41%	5.95%	5.35%	4.74%
Debt Servicing ratio	5.06%	7.61%	12.58%	13.10%	12.70%	15.83%	15.67%	15.46%	15.02%	14.43%	13.83%

For Pool (outsourcing Model) & Gym (build in 2026/2027)

Draft Long Term Financial Plan Update	Current Year	Projected Years									
	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34	2034/35
RATE REVENUE INCREASE	8.50%	8.00%	7.00%	6.50%	6.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%
Operating Surplus Ratio	4.7%	0.8%	0.1%	1.3%	3.4%	2.1%	3.1%	4.2%	5.5%	6.8%	8.4%
Net Financial Liabilities Ratio	142.60%	148.65%	159.45%	167.02%	169.06%	164.71%	159.12%	149.33%	138.60%	126.90%	113.98%
Asset Renewal Funding Ratio	117.81%	96.25%	100.64%	108.60%	107.35%	100.70%	112.71%	109.23%	110.59%	116.32%	116.06%
Interest Cover Ratio	1.85%	5.40%	6.05%	6.72%	7.01%	7.35%	7.17%	6.86%	6.35%	5.70%	5.04%
Debt Servicing ratio	5.06%	7.61%	12.73%	13.67%	13.27%	16.37%	16.24%	15.98%	15.49%	14.83%	14.17%

Attachment D

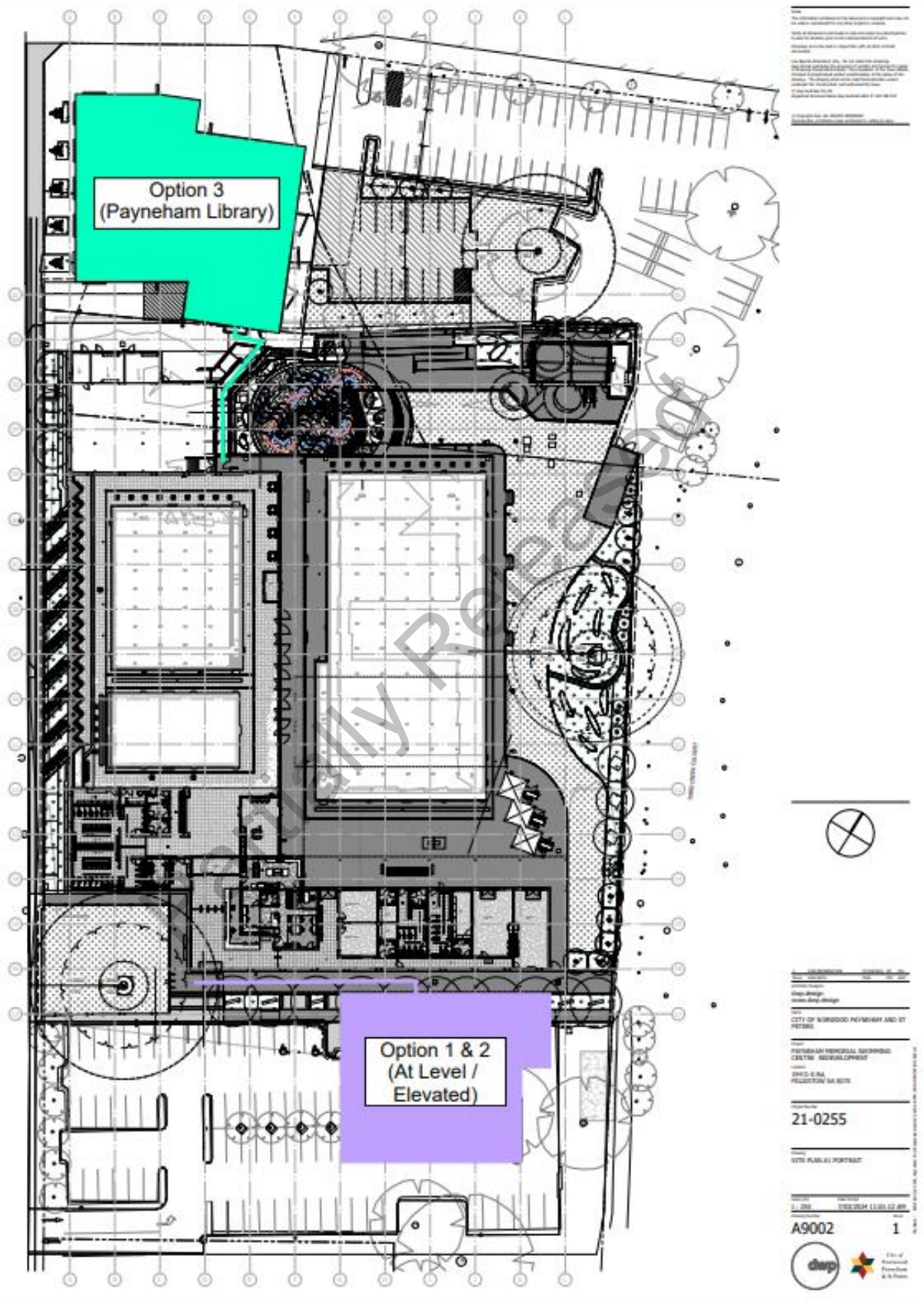
Confidential

Council Swimming Centres

Partially Released



Location of Gymnasium Options



Attachment E

Confidential

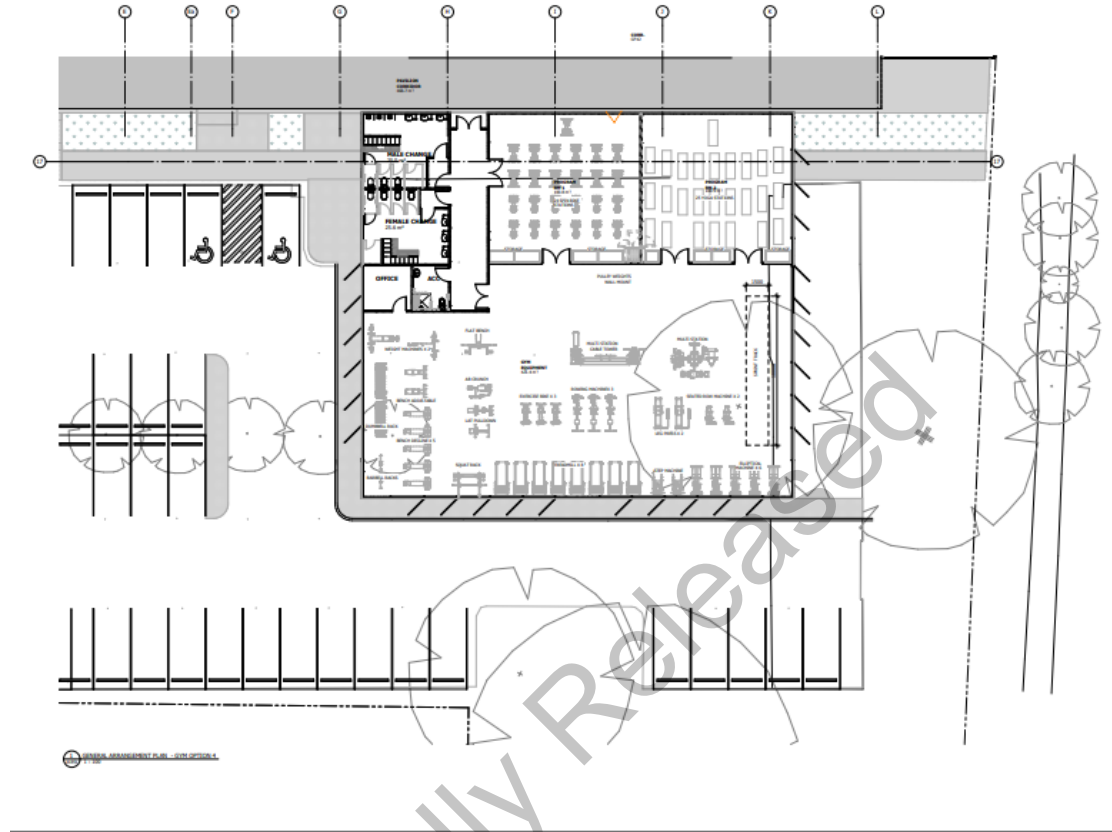
Council Swimming Centres

Partially Released



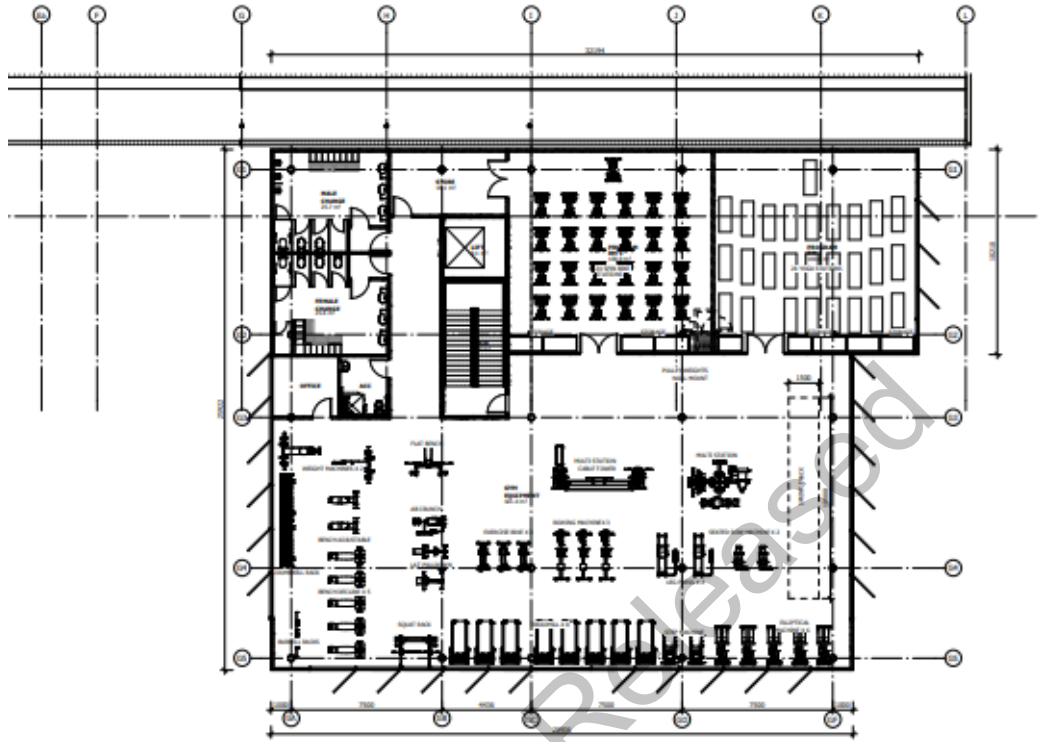
Gymnasium Options – Concept Designs

*Option 1 – Gymnasium Concept Design - ground level stand-alone structure on the southern side of the PMSC pavilion building, protruding into the carpark – **Recommended.***

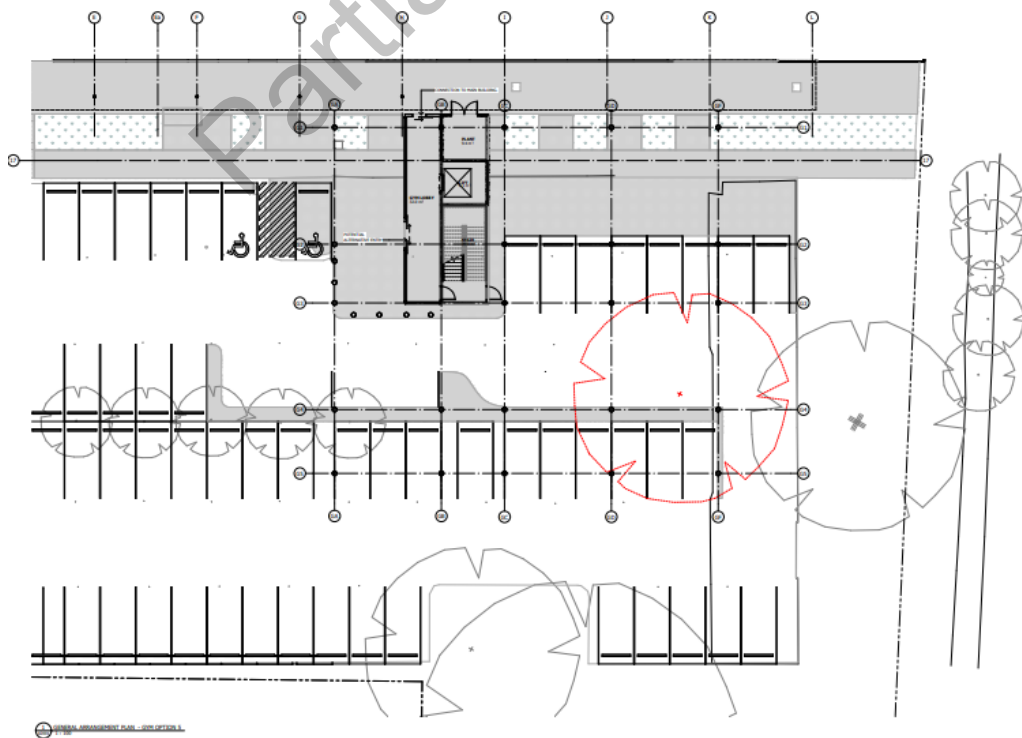


Option 2 - Gymnasium Concept Design - second story stand-alone structure on the southern side of the PMSC pavilion building, protruding over the carpark.

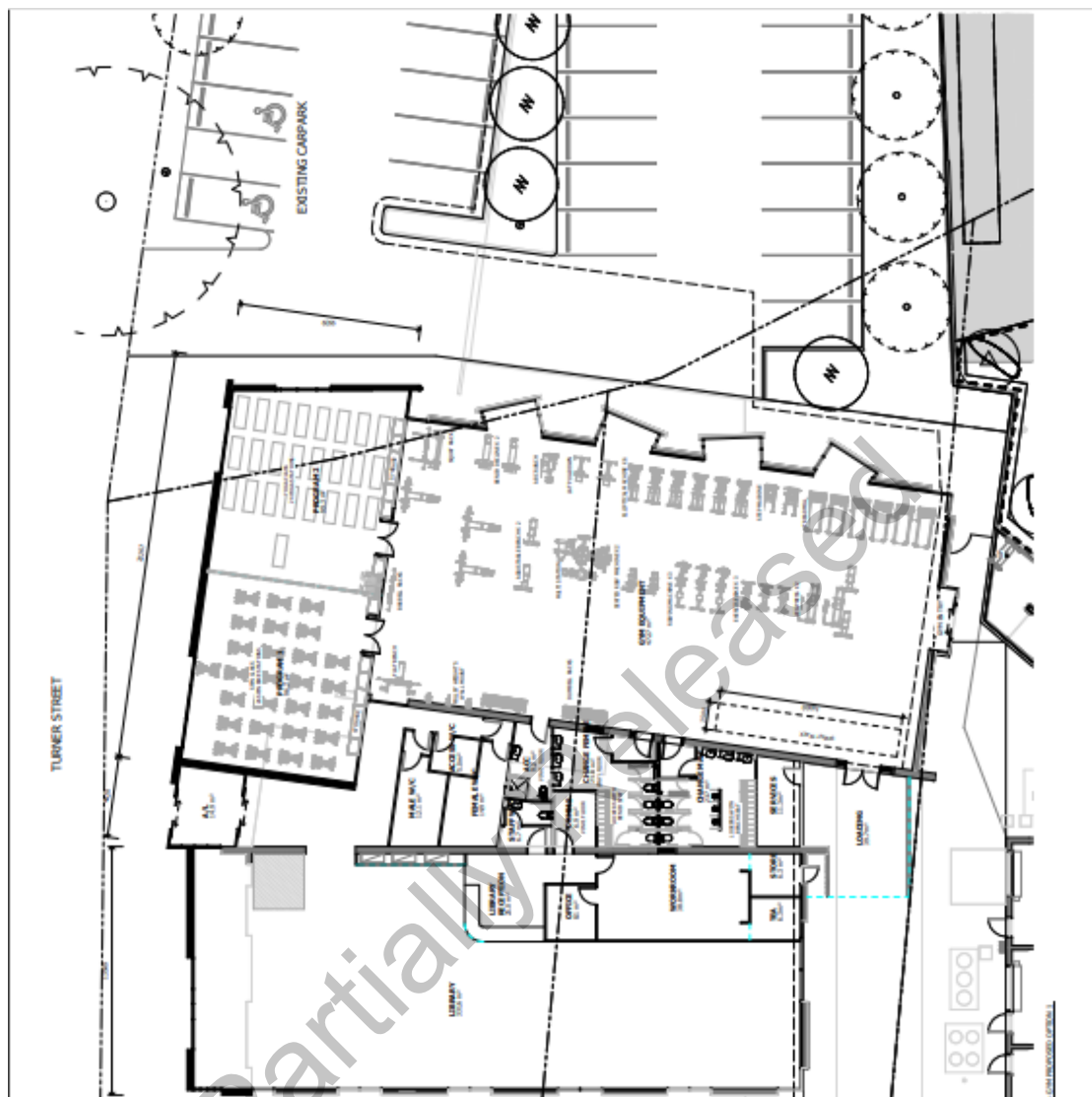
Second Level:



Ground Level:



Option 3 - Gymnasium Concept Design - inclusion of a gymnasium within the Payneham Library building.



Attachment F

Confidential

Council Swimming Centres

Partially Released



Proposed Carpark To Offset Gymnasium Impact



Attachment G

Confidential

Council Swimming Centres

Partially Released



Elected Member Workshop – PMSC Management



PMSC Redevelopment

Preparing for opening

City of Norwood, Payneham and St Peters
December 2024

BUSINESS • RESOURCE • MANAGEMENT

Project Status

Where are we at?



Milestone	Target date
Construction commencement (completed)	Feb 2024
Civil and remediation works (completed)	August 2024
Completion of pool halls and buildings	March 2025
Internal fit-outs, external works and handover	February 2026
Practical Completion	March 2026
Opening	Mid 2026? (Winter)

Per Badge Contract Design and Construction Program and NPSP Project Updates

Management model

Overview



Two options to progress management of the PMSC:

- Internal (Council Led) Management Model (i.e. the Arc)
- External (Contractor Led) Management Model (i.e. the Aquadome)

Partially Released

Management Options

Payneham Memorial Swimming Centre



Key factor	Internal	External
Strategic oversight	Council	External Manager taking direction from Council based on terms of the Management Agreement
Governance model	Options to manage within existing governance frameworks or to establish a separate committee	External Manager reporting to a Council officer and ultimately to Council based on the terms of the Management Agreement
Operational risk	100% Council	Transferred to External Manager
Financial risk	100% Council	Financial risk can be shared per negotiation with Manager
Asset renewal and repair	100% Council	Council generally meets asset renewal obligations with an operator responsible for maintenance
User charges	100% Council	Council generally retains the right to set User Charges
Employees	Employed by Council directly or through labour hire arrangement	Employed by External Manager
Administration overlay	NPSP shared services (i.e. payroll), HR, marketing required to directly support service delivery	Minimal involvement from Administration in operations Contractor Management Required
Level of control	100% Council	Lower per negotiated terms of Management Agreement
Management Fees	Nil	Must be paid per terms of Management Agreement

Management model

Internally Managed Sites



Internally Managed Aquatic Facilities	Externally Managed Aquatic Facilities
George Bolton Swimming Centre Burnside (City of Burnside)	Aquadome (City of Playford)
The Arc (Campbelltown City Council)	The Rex Barossa Aquatic Fitness (The Barossa Council)
Gawler Aquatic Centre (Town of Gawler)	Fleurieu Regional Aquatic Centre (City of Victor Harbor and Alexandrina Council)
Marion Outdoor Pool (City of Marion)	Mount Barker Mountain Pool (Mount Barker District Council)
Noarlunga Leisure Centre (City of Onkaparinga)	Wulanda (City of Mount Gambier)
Waterworld Aquatic Centre (City of Tea Tree Gully)	Salisbury Aquatic Centre (City of Salisbury)
Unley Swimming Centre (City of Unley)	

Management model

Externally Managed Sites

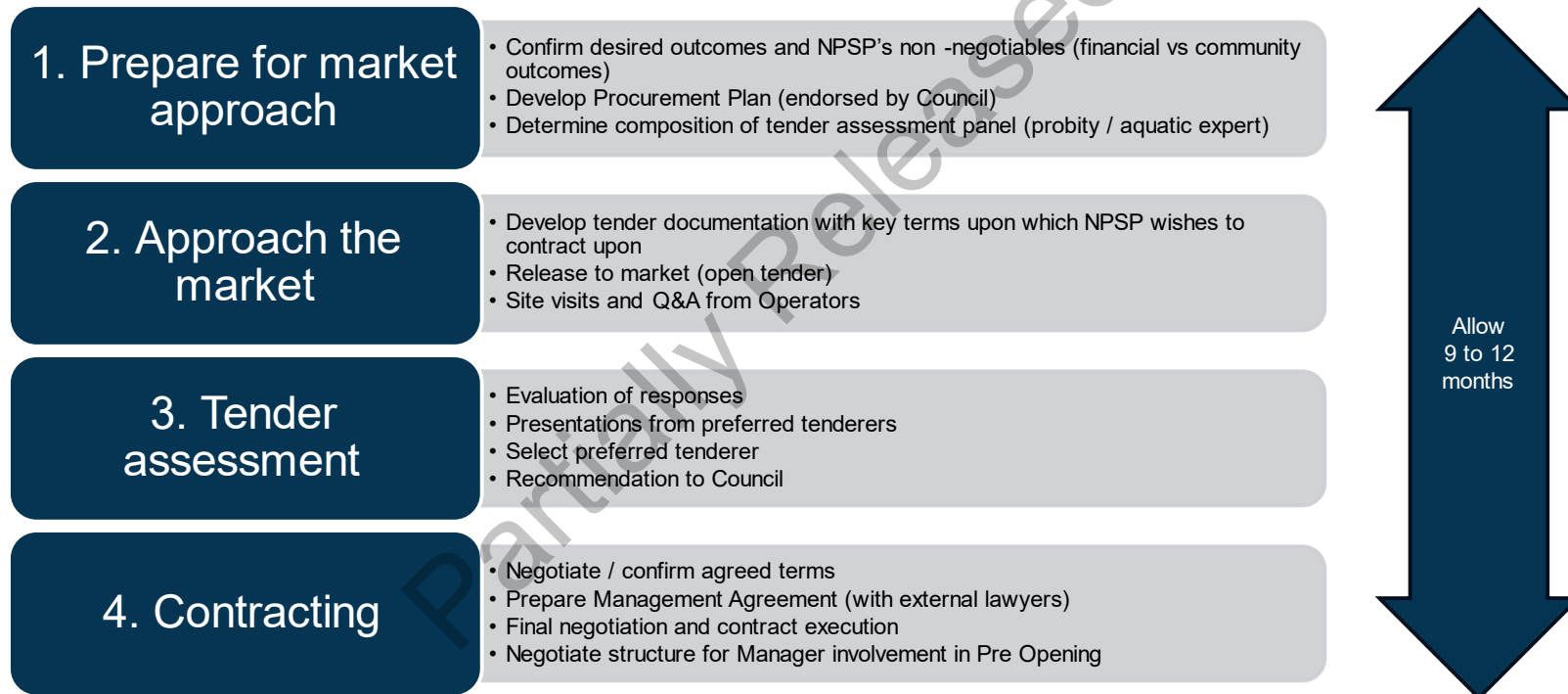


- NPSP has sought advice from us
- In accordance with our advice, Administration is intending to recommend to council that an external management model is progressed
 - Short term arrangement to commission and commence trading for the PMSC
 - Independent review in Year 3 of contract
 - Decision point in Year 4 on future longer term management model

Opportunity to workshop / discuss this intended approach

Management model

Engaging an external manager



Management model

What to expect?



- Expect strong external interest to operate the PMSC
- Operators will compete on reputation and expertise
 - Community vs commercial focus
 - Align goals of council to strength of operator
- Limited appetite for financial risk sharing.... initially
- Management fees
 - Generally charged as a percentage of revenue
 - Split between Administration Fee (recovery of admin support costs) and Management Fee (operator profit)
- Council funding for pre-opening costs will be required
 - Commissioning and testing of pools
 - Set up policies, procedures and systems
 - Marketing spend
 - Opening event
- Pre opening investment linked to early financial performance



belgravialeisure
connecting community to leisure



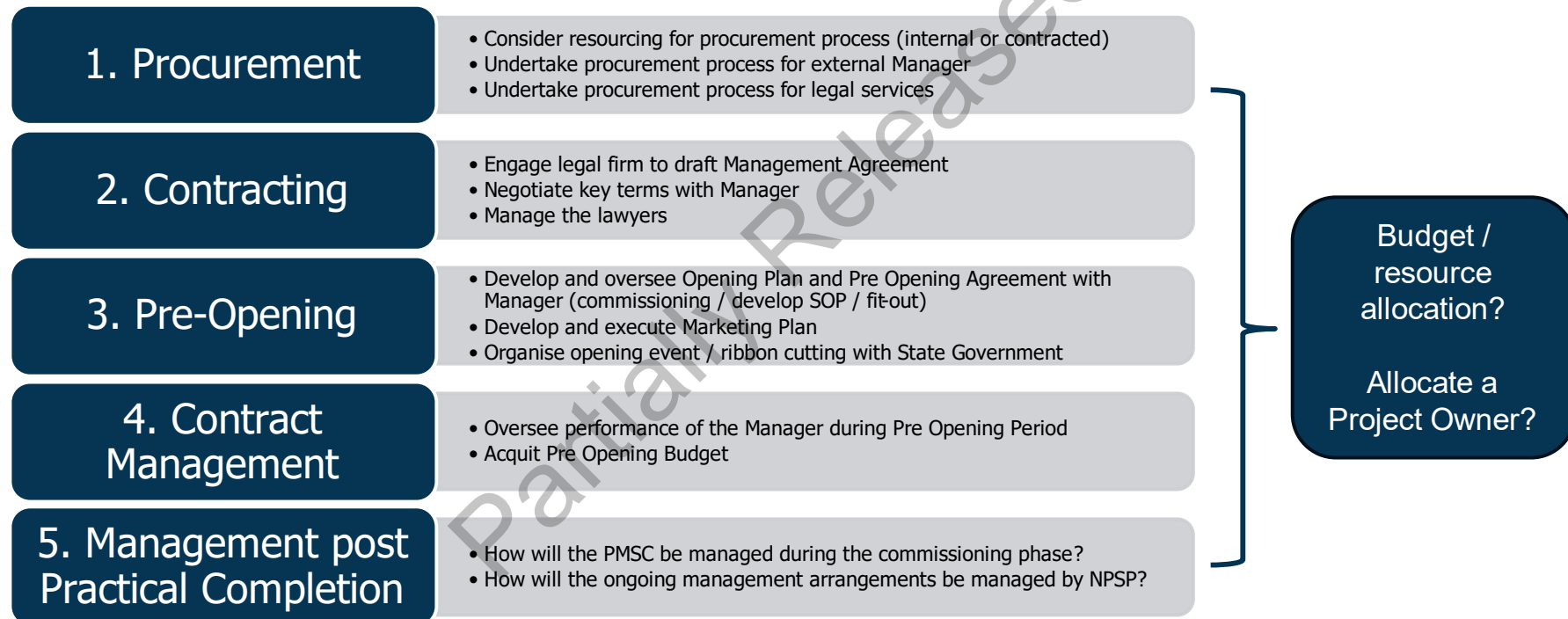
Clublinks
SHINE BRIGHT



ALIGNED
LEISURE

Resourcing

To set up the external management model



Norwood Swimming Pool



- We expect PMSC to negatively impact Norwood Pool trading
 - Revenue
 - Utilisation (i.e. will existing schools transfer to Payneham?)
 - Access to staff
- Should we be aggregating operations of both facilities?
 - Benefits?
 - Issues?
- Clarity on long term future / investment in this facility will support decision on future operational model

Forecast information



LTFP 2024-2034

POOL - recurring	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34
Number of months	3	12	12	12	12	12	12	12	12
Capacity / Turnover	60%	70%	80%	90%	100%	100%	100%	100%	100%
User Charges	917,811	2,758,945	3,302,771	3,893,233	4,525,866	4,760,549	5,004,627	5,258,440	5,522,337
Employee Costs	966,734	2,157,598	2,563,303	3,002,924	3,480,902	3,707,838	3,946,073	4,196,268	4,459,046
Materials & Contracts	962,136	1,642,057	1,773,568	1,912,572	2,058,814	2,177,770	2,301,934	2,431,619	2,567,678
Borrowing Costs	-	2,510,226	3,233,207	3,074,937	4,580,985	4,328,010	4,060,384	3,777,258	3,477,734
Depreciation	0	849,856	849,856	849,856	849,856	849,856	849,856	849,856	849,856
Total Cost	1,928,871	7,159,737	8,419,934	8,840,289	10,970,556	11,063,474	11,158,247	11,255,001	11,354,314
Surplus / Deficit (before finance costs & Depreciation)	- 1,011,059	- 1,040,710	- 1,034,099	- 1,022,262	- 1,013,849	- 1,125,059	- 1,243,380	- 1,369,448	- 1,504,387
Total Surplus / Deficit	- 1,011,060	- 4,400,792	- 5,117,162	- 4,947,055	- 6,444,690	- 6,302,925	- 6,153,620	- 5,996,562	- 5,831,977

Forecast information



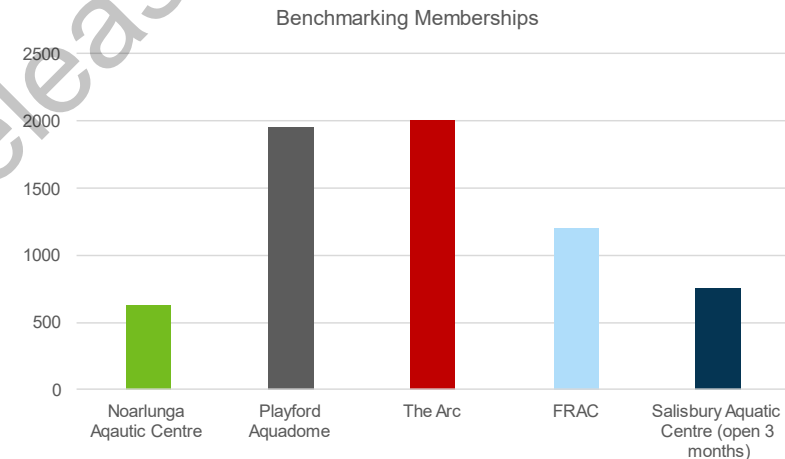
- BRM has prepared a financial operational model independent of LTFP assumptions
- Expect higher subsidy in early years, but LTFP forecast is not unreasonable (\$1.15 million average operating deficit per year)
- FY2026 budget provision of \$1.0 million noting the PMSC may not be open based on construction schedule
- Operators will provide forecast financial information in response to tender to support validity of current forecasts
- Additional revenue generation key to reducing long term subsidy
- Norwood Pool not considered in LTFP – could be material.

Options - Additional revenue generation

Gymnasium

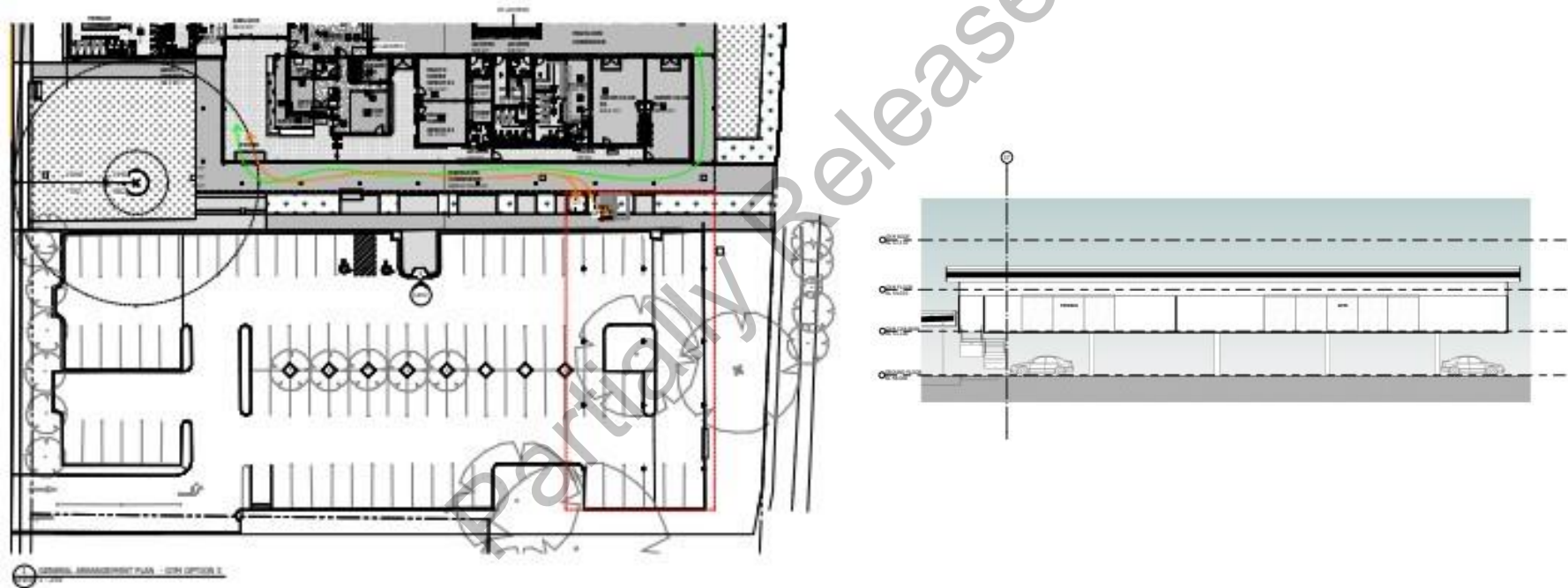


- Gymnasiums are a desirable and commercially advantageous part of a modern aquatic facility
- All other publicly owned indoor aquatic facilities in metro Adelaide have a gymnasium
- A gym allows for a customer to obtain a full-service aquatic and fitness membership; a differentiator to the 24/7 self service gym offering.
- Gym floor area required 350m² to 450m²
- Multipurpose room floor area 180m² to 200m²



Options - additional revenue generation

Gymnasium



Options – Additional revenue generation

Gymnasium



- Financial modelling indicative example:
 - 1,500 members
 - Adult \$19.00 per week
 - Concession \$17.00 per week
 - Gym equipment – leased for \$100k per annum
 - Additional two FTE staff (memberships, supervision and classes)
 - Additional expenditure \$125k (cleaning / utilities / marketing / software)
 - Capital cost \$2.5 million
- Outputs (assuming gym operating at full capacity)
 - Revenue uplift +\$1.5 million per annum
 - EBITDA impact +\$1.1 million per annum
 - Net Profit +\$0.8 million per annum

Next steps



- Council report to January meeting, considering:
 - PMSC construction update
 - Recommend progressing an external management model
 - Procurement plan for endorsement
 - Pre-opening budget implications
 - Investigation of adding a gymnasium to the construction program
 - Decision on future management model for Norwood Pool

Opportunity to workshop / discuss this intended approach



Level 8, 420 King William Street
Adelaide SA 5000

Phone: 08 8168 8401

www.brmadvisory.com.au

Partially Released

Attachment H

Confidential

Council Swimming Centres

Partially Released





Felixstow

A Unique
Intergenerational
Community

Uniting Communities

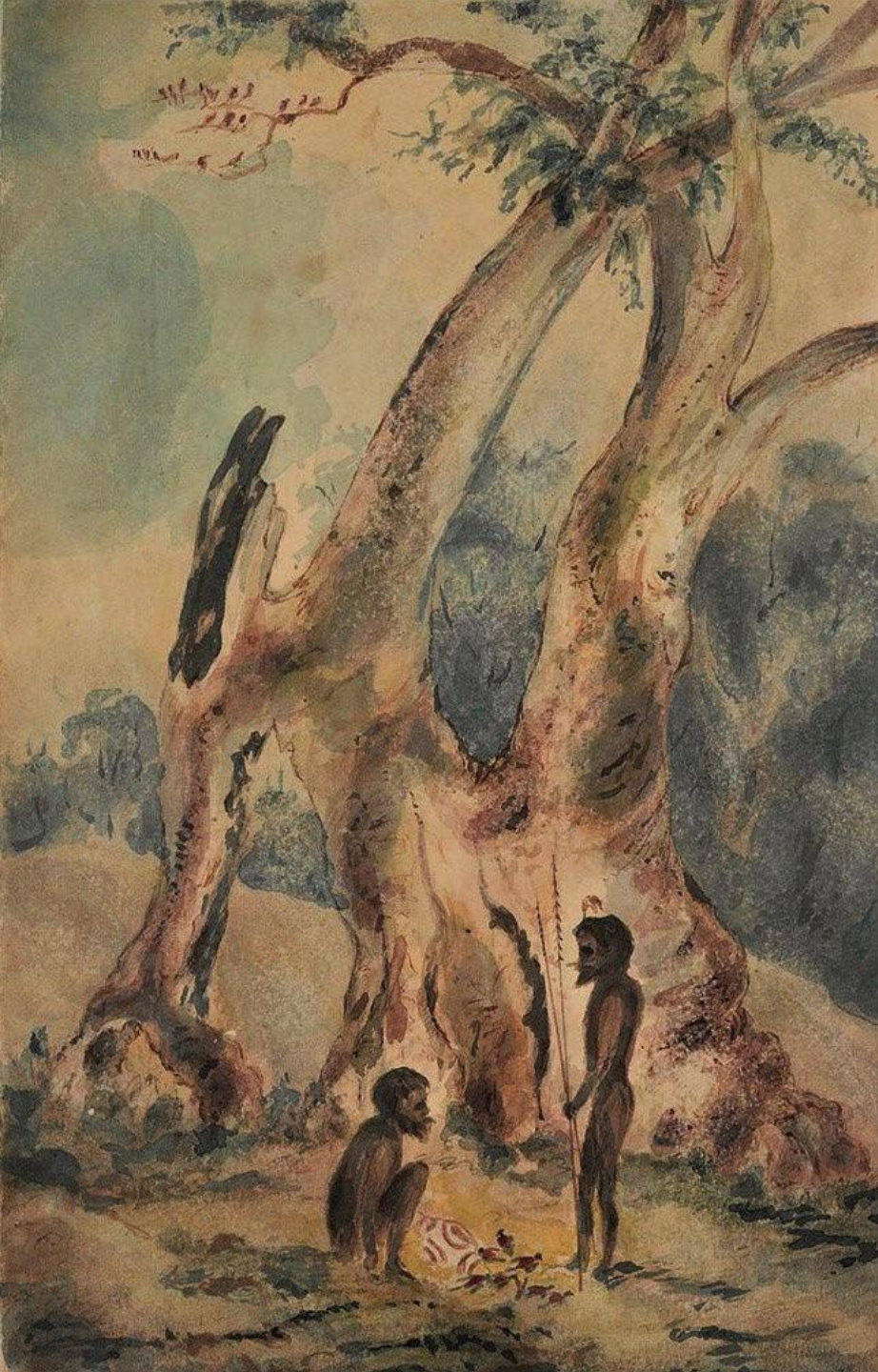


Cultural & Historical Site

We acknowledge that Felixstow is part of the traditional lands of the Kurna people and through the Masterplan stage of this development, an Aboriginal Themes Report conducted by Aboriginal Urban Design showed a rich cultural history.

Our Felixstow site (currently known as Aldersgate) is documented as the site where the last known Kurna Queen died. Other areas around Felixstow along Karrawirra Parri (River Torrens) are identified as potential birthing sites and designated areas for women to undertake significant rites of passage.

Uniting Communities purchased the site in 1943 from the Pitt Family and the site became the First Residential facility for older people in 1944.





“To create a vibrant, integrated community that brings together residential, social, commercial and community services to establish a sustainable, inclusive and thriving community in the heart of the city”



13-18: Independent living retirement apartments

H5

10-12: Disability accessible apartments - long-term stay

8-9: Disability serviced apartments - short-term stay

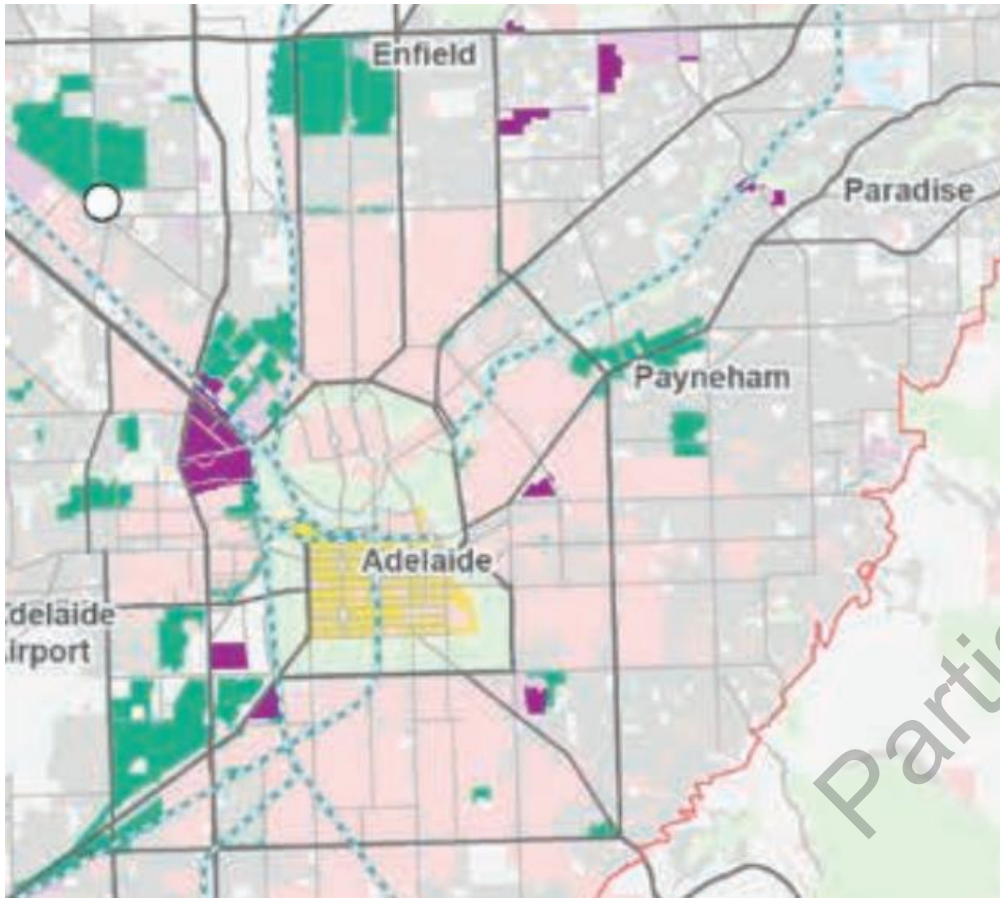
6-7: Offices area currently occupied by law firm

3-5: Community public space, Uniting Communities office

1-2: Community and medical services for vulnerable population

G: Lobby, Luigi's Cafe, Pitt Street Cafe, Community art studio

Partially Released



	Neighbourhood and Centre Regeneration
	Strategic Infill
	Potential Innovation District
	Adelaide CBD
	Existing Identified Development Front
	Historic and Character Area
	Open Space
	Established Urban Area
	Planned Urban Lands (2045)
	Existing Mass Transit
	Potential Mass Transit
	Major Activity Centre

Greater Adelaide Regional Plan (GARP)

State Planning Commission

30 Year Plan Greater Adelaide

Sustainable land to market for housing, employment & recreation needs

Neighbourhood and Centre Regeneration Precinct

Urban uplift, scale & intensity

Favourable Mixed-Use Developments

Recent Proposed Accommodation Diversity Code Amendment – significant retirement Facilities Site Overlay

Site Context

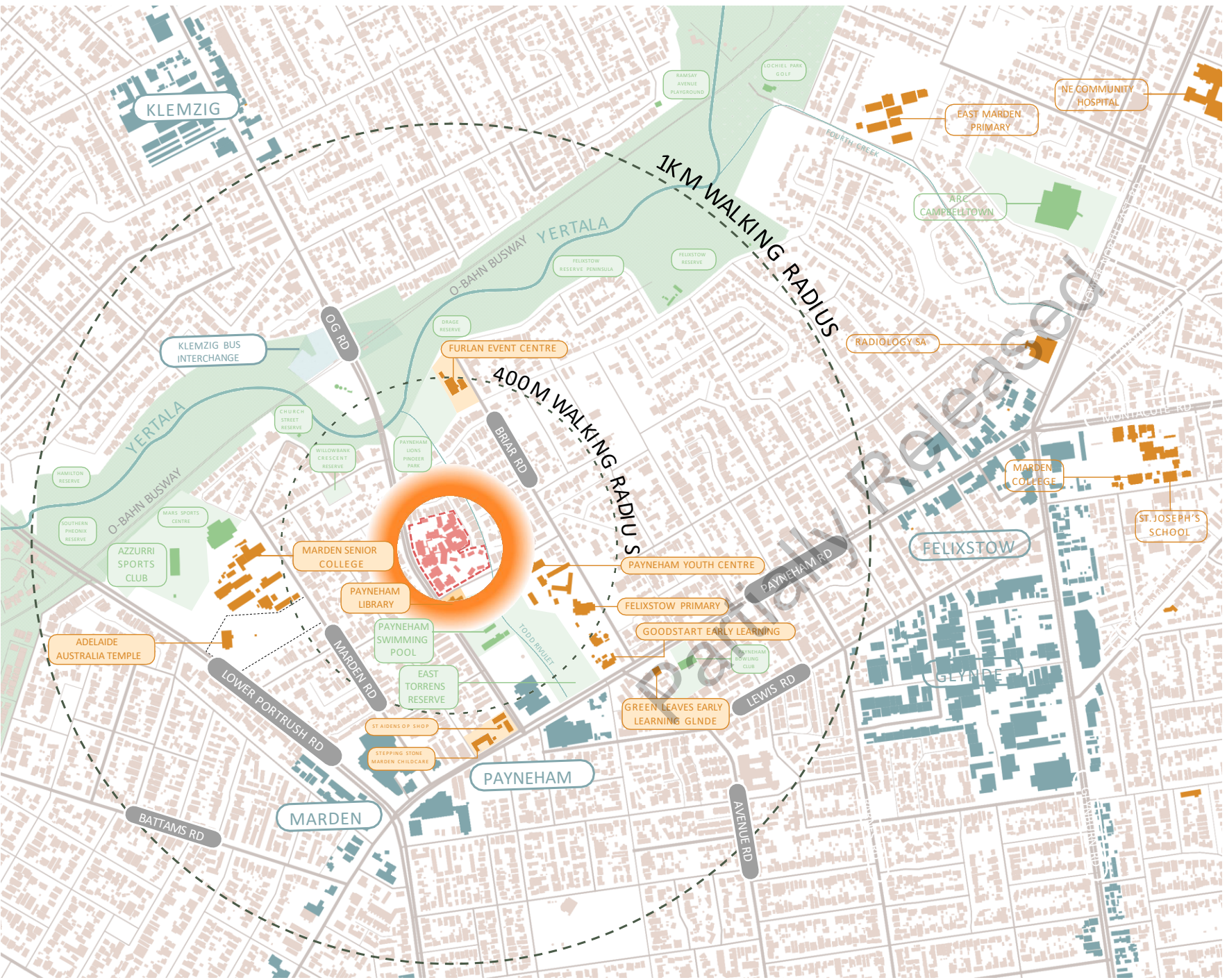
Analysis Plan

LEGEND

- Commercial / Retail Buildings
- Commercial / Retail Zones
- Community / Education Buildings
- Community / Education Zones
- Recreational Buildings
- Recreational Zones
- Roads
- Residential Buildings
- Site Buildings
- Site Boundary

Felixstow Masterplan Redevelopment
160 O G Rd, Payneham SA 5070

UC Neighbours Session
January 2024

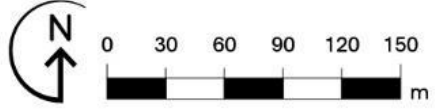




Site Size

Approx. 23,000sqm
(2.3 Hectares)

 SUBJECT LAND  ZONE BOUNDARY  CADASTRE





City of
Norwood
Payneham
& St Peters

CityPlan 2030 Shaping Our Future

The Council's vision is a City which values its heritage, cultural diversity, sense of place and natural environment.
A progressive City which is prosperous, sustainable and socially cohesive with a strong community spirit.



Social Equity

An inclusive, connected, accessible and friendly community

- Convenient and accessible services, information and facilities.
- A people-friendly, integrated and sustainable transport network.
- An engaged and participating community.
- A strong, healthy, resilient and inclusive community.



Cultural Vitality

A culturally rich and diverse city, with a strong identity, history and sense of place

- An artistic, creative, cultural and visually interesting City.
- A community embracing and celebrating its cultural diversity and heritage.
- A City which values and protects built heritage.
- Pleasant, well designed, and sustainable neighbourhoods.
- Dynamic community life in public spaces and precincts.



Economic Prosperity

A dynamic and thriving centre for business and services

- A diverse range of businesses and services.
- Cosmopolitan business precincts contributing to the prosperity of the City.
- An attractive and supportive City for business and new enterprise.
- A local economy supporting and supported by its community.



Environmental Sustainability

A leader in environmental sustainability

- Sustainable resource use and management.
- Generous tree canopy, and sustainable streets and open spaces.
- Thriving and healthy habitats for native flora and fauna.
- Mitigating and adapting to the impacts of climate change.
- Reduce waste to landfill and promote the circular economy.

Patterson Reserve Master Plan

Payneham Memorial Swimming Centre

- Upgrade 50m Outdoor
- New 25m Indoor pool

Sports & Leisure Centre

250+ Multilevel Car Park

New off-street parking

Waterway Naturalisation

Baseball and Lacrosse Relocation and Upgrade



VISION

Open, accessible and uplifting, UC Felixstow will be an integrated community of diverse individuals and shared experiences.

A place for all ages and all walks of life. Where opportunities are looked at with fresh perspectives and ambition. Where participation and interaction are facilitated by inspiring spaces and engaging design. Where an innovative mix of residences, community partnerships and holistic healthcare services enrich life in new ways.

Engagement

- 100+ participants
- 23 Sessions
(including 3 public sessions)



Return brief & Design Approach

Consultation Outcomes – Key Themes

Intergenerational

Deinstitutionalising

Community & Belonging

Engagement and Activity

Continuity and Security



Create outdoor rooms to respond to different site uses



Variety of spaces that relate to building uses & arrangements



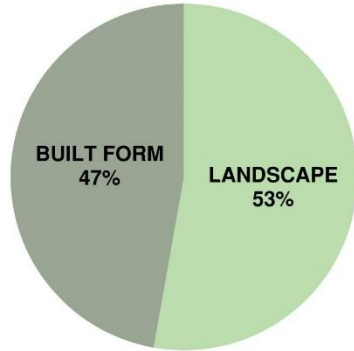
Encourage community access into the site on a day-to-day basis including community events



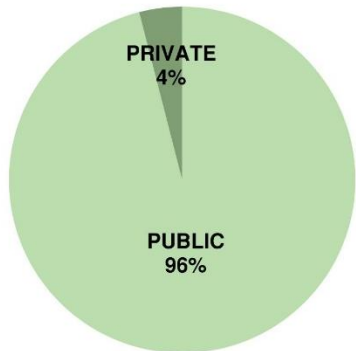
Consideration in the detailed design of the spaces people of all ages & abilities - encourage interaction and support

Landscape Design

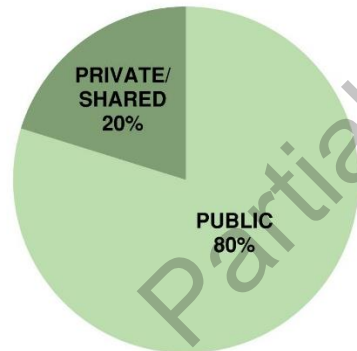
Landscape vs Built Form on the ground plane



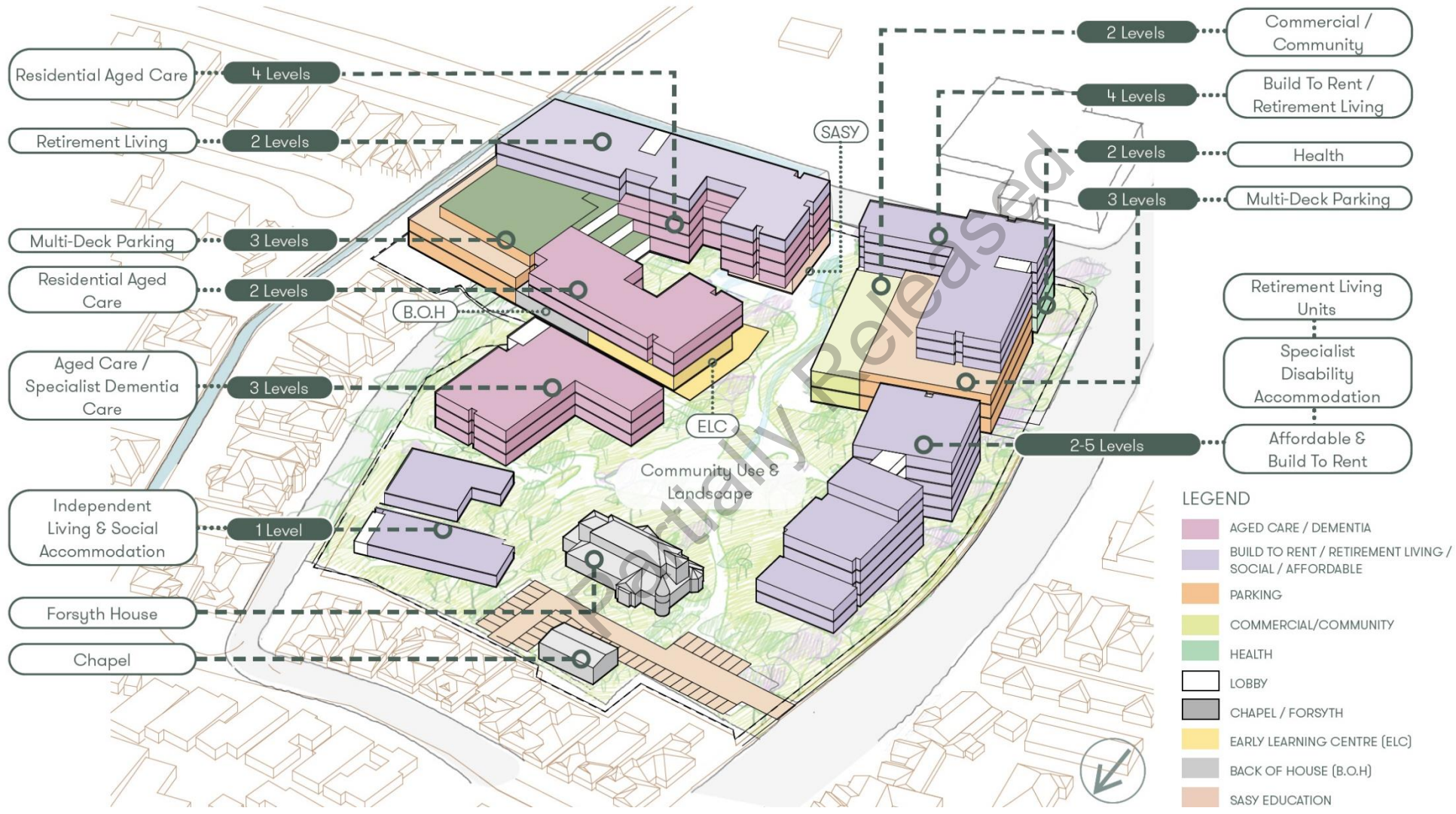
Public Landscape vs Private Landscape on the ground plane



Public Landscape vs Private Landscape in total landscaped area

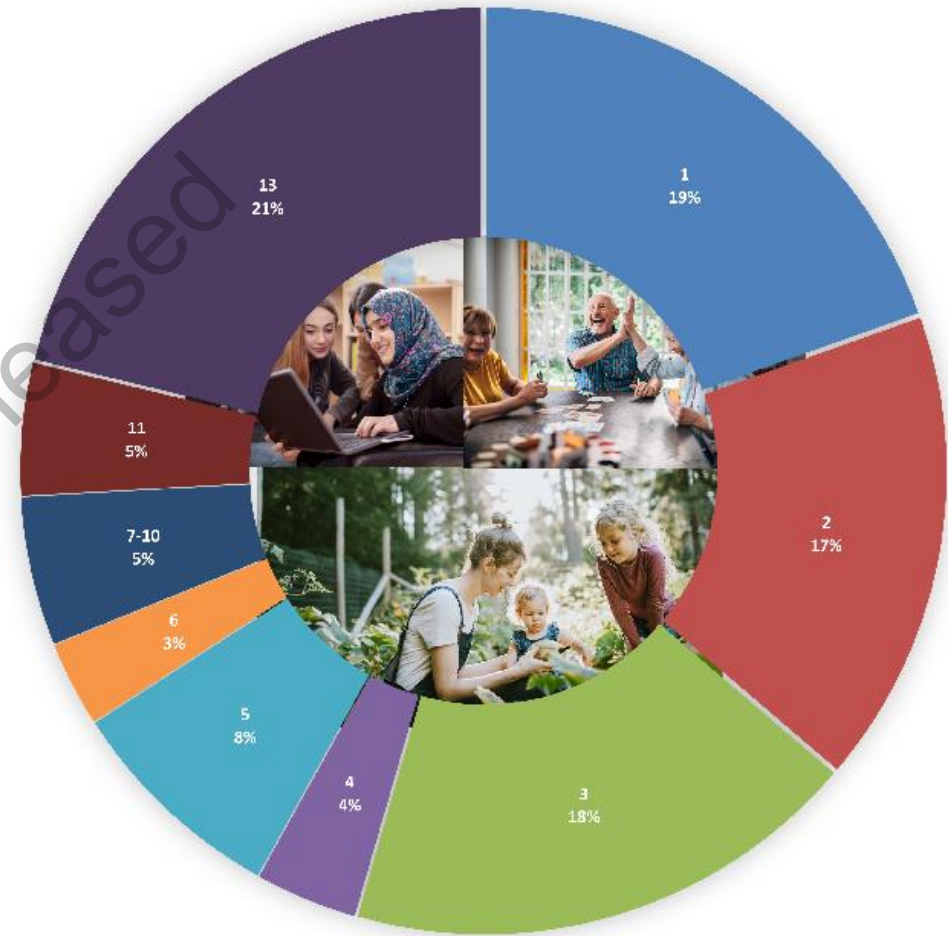


Masterplan

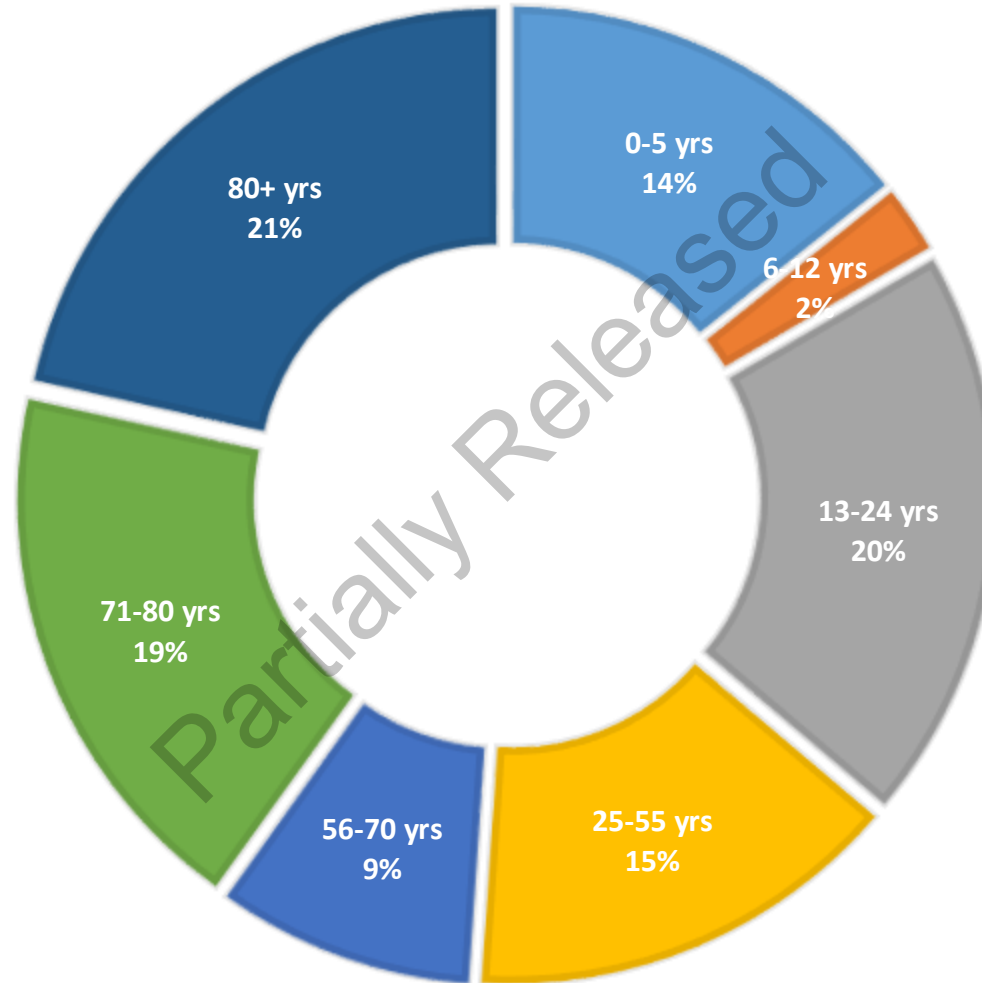


Functions

■ 1	Residential Aged Care	80 – 110 Beds
■ 2	Retirement Living	32 – 61 units
■ 3	Market Build to Rent	35-45 units
■ 4	ILU Adults Disability	6 units
■ 5	Affordable/Social	15-20 units
■ 6	SDAs	5 units
■ 7-10	Education/Medical/Commercial	ELC = 55-60 children School = 100 students plus Medical and Hospitality offerings
■ 11	Community Space	Forsyth House
■ 12	UC Allied Health	500 sqm
■ 13	Car Parking	201-270 spaces



Intergenerational Mix

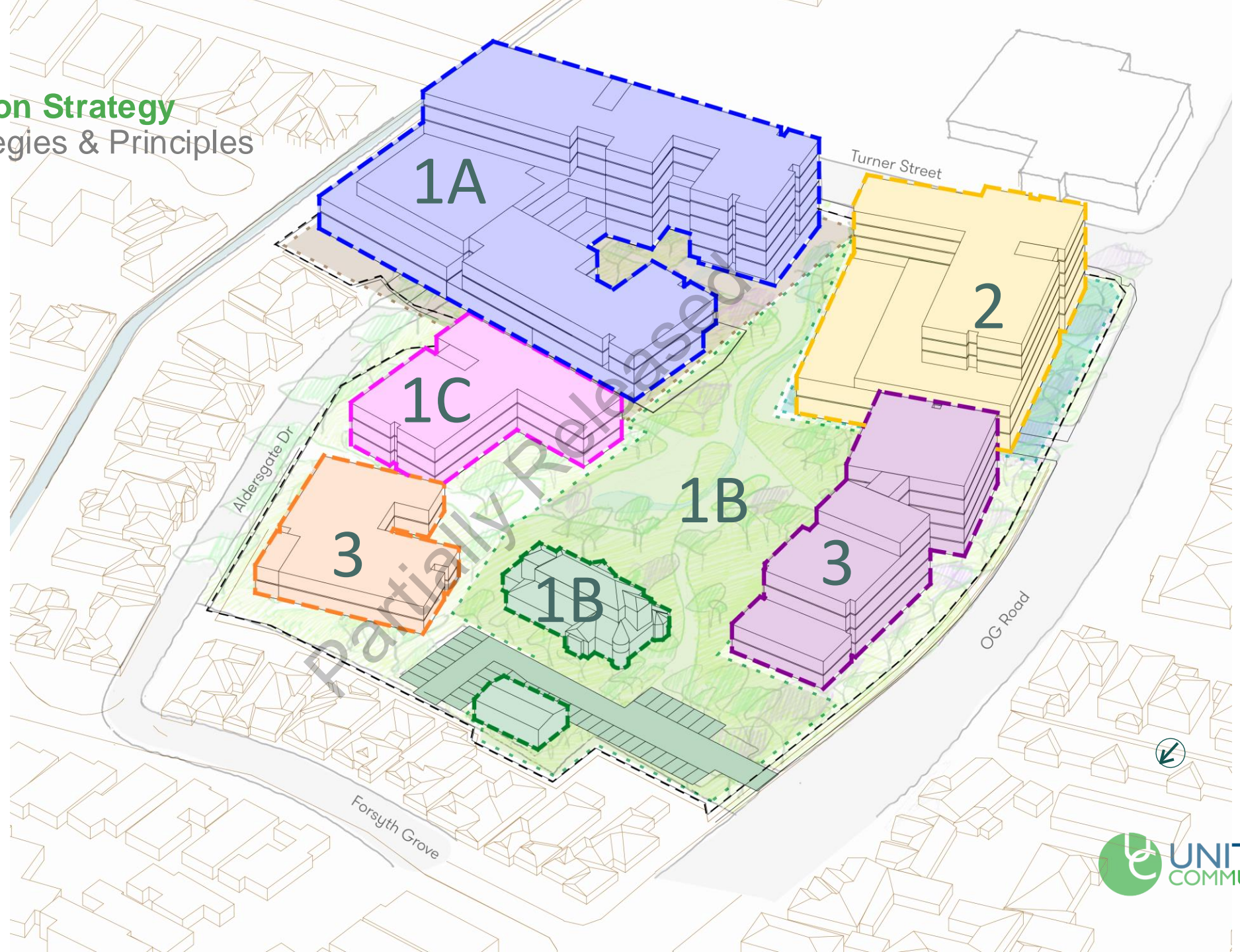


Sustainability Themes



Implementation Strategy

Staging, Strategies & Principles



YOU see ART



A PROJECT OF
 **UNITING
COMMUNITIES**

Urban Connection



Urban Precincts and Partnerships Program

The Australian Government is providing \$150 million over 3 years for the program. \$50 million will be available each year for 2024-25, 2025-26 and 2026-27.

An opportunity to explore a joint submission between Uniting Communities and City of Norwood, Payneham and St Peters.

Further Questions and Feedback?

unitingcommunities.org

Partially Released

Annexure

Partially Released

Felixstow – Redeveloped and Reimagined

The Felixstow redevelopment embodies Uniting Communities core purpose of building compassionate and caring communities.

It will achieve this through creating a highly integrated and diverse community spanning generations, life stages and community need.

Felixstow will challenge conventional urban design and planning by bringing together different demographics and functions to connect in a cohesive community of support and enrichment. Uniting Communities believes social cohesion is critical to our wellbeing as a community and society.

- Felixstow will provide unique opportunities for older South Australians to live alongside children, adolescents and families in a way that embraces their attributes rather than focuses on their deficits and which provides life enhancing everyday connections.
- Felixstow will provide an innovative, safe yet dynamic environment for those living with dementia to be and feel engaged and included in a caring environment.
- The inclusion of a specialist school and early learning centre within the precinct provides young children and adolescents with a unique learning environment built on connections with a diverse community spanning different life stages and experiences.
- The incorporation of health and medical services and community arts programs within the redeveloped community will connect the precinct with the broader community further enhancing integration and social cohesion.
- Purpose-built accommodation for families, for young people including those leaving care or at risk of homelessness and for those living with a disability (including those leaving the care of ageing parents) meets specific unmet needs in our community.

Felixstow – Redeveloped and Reimagined

The Felixstow community is much greater, however, than the 'sum of its parts' - as significant and important as they are in their own right. Building on both a belief and track record of creating inclusive communities, Felixstow will deliver an unparalleled lifestyle and experience for those who live, work, visit or study there. It will combine a combination of specialist care, accessible and specialist designed accommodation together with purposeful connections and engagement across demographics and backgrounds. It is as community should be - to enhance the wellbeing of its members, a rich melting pot of people supporting and contributing to community life.

Felixstow will provide opportunities for those often consigned to living in single stream and segregated environments to being part of a broader mutually enhancing community. The benefits of intergenerational living and connections are well documented and Felixstow aims to be an exemplar community of different demographics and ages.