



Bay Pavilions
Sustainability Plan
2024

Eurobodalla
Shire Council

Acknowledgment of Country

Eurobodalla Shire Council recognises Aboriginal people as the original inhabitants and custodians of all land and water in the Eurobodalla and respects their enduring cultural and spiritual connection to it. Eurobodalla Shire Council acknowledges the Traditional Owners of the land in which we live. Council pays respect to Elders past, present and future.

How to contact us

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Bay Pavilions Sustainability Plan

Executive Summary

The Bay Pavilions Sustainability Plan (the Plan) aims to optimise business outcomes for the facility, while maintaining positive community benefits.


To achieve this, the Plan has three strategic themes:

1. Financial resilience
2. Prudent asset management and operation
3. Accountability.

These focus areas are supported by 26 Actions and associated Measures to track progress and measure success. Each action is prioritised, with 10 High, 11 Medium, 1 Low and 4 Ongoing ratings in place.

High priorities will be the principle focus in the 2024-2025 financial year. However, Medium actions may be brought forward and addressed in an earlier timeframe if practicable.

	Action	Strategic Themes	Priority	Source
1	Review and consider renegotiation of current contract with Aligned Leisure	Prudent asset management and operation	H	KPMG review; InConsult Risk review
2	Establish realistic performance expectations with Aligned Leisure	Prudent asset management and operation	H	InConsult Risk review
3	Strengthen financial controls between Council and AL with clear accountability (for top line and bottom line)	Accountability	H	InConsult Risk review
4	Clear delegation of expenditure to Aligned Leisure (beyond an agreed annual budget)	Financial resilience	H	InConsult Risk review
5	Monthly monitoring of actual year to date revenue and expenses	Accountability	H	InConsult Risk review
6	Audit Bay Pavilions contractor documentation to ensure it exists and is fit for purpose	Accountability	H	InConsult Risk review
7	Transition plan for move from defects liability period to business as usual (BAU)	Prudent asset management and operation	H	InConsult Risk review

 - Action commenced

	Action	Strategic Themes	Priority	Source
8	Address and monitor the risk register, ensuring existence of all controls	Prudent asset management and operation	H	InConsult Risk review
9	Implement Energy audit recommendations	Financial resilience	H	GHD
10	Monitor Energy consumption	Financial resilience	H	Council
11	Update Aligned Leisure Business and Service Plans	Prudent asset management and operation	M	InConsult Risk review
12	Review ancillary contracts e.g. Cleaning	Prudent asset management and operation	M	Council
13	Conduct procurement review of Bay Pavilions	Financial resilience	M	KPMG review
14	Explore partnerships with other service providers	Financial resilience	M	KPMG review
15	Identify commercial opportunities at the site	Financial resilience	M	KPMG review
16	Review management model for aquatic centres (Bay Pavilions, Moruya, and Narooma)	Prudent asset management and operation	M	Council
17	Conduct benchmarking exercise at the Bay Pavilions	Accountability	M	Council

	Action	Strategic Themes	Priority	Source
18	Council's IT team to gain better understanding of information assets and infrastructure and assess cyber risks and technology-based risks	Accountability	M	InConsult Risk review
19	Strengthen reporting governance between Council and AL	Accountability	M	InConsult Risk review
20	Review Council's Crisis Management Plan for the facility to ensure it covers a major incident such as loss of life	Accountability	M	InConsult Risk review
21	Draft Contingency Plan	Prudent asset management and operation	M	InConsult Risk review
22	Review water treatment processes	Prudent asset management and operation	L	Council
23	Monitor incidents and compliance issues, including regular reporting	Accountability	Ongoing	InConsult Risk review
24	Update risk assessment/risk audit annually	Accountability	Ongoing	InConsult Risk review
25	Develop stronger links between Council tourism activities and Bay Pavilions marketing activities	Financial resilience	Ongoing	InConsult Risk review

		Strategic Themes	Priority	Source
26	Establishment, and then annual review and update of maintenance program	Prudent asset management and operation	Ongoing	Council

Council Context

The Plan aligns with the strategic direction of Council and the strategic outcome areas, as identified in the Finance Strategy 2024-2028.

Council’s Delivery Program 2022-2026 and Operational Plan 2024-2025 includes:

Delivery Program Vision: Our Eurobodalla is a place of inclusive communities embracing sustainable lifestyles

Goal 2: Our community that welcomes, celebrates, and supports everyone

Activity 2.2.2 Provide and manage quality community facilities to meet the needs of the current and future communities

Operational Plan Action 2.2.2.5 Manage the Bay Pavilions

Operational Plan Action 2.2.2.6 Introduce energy efficiencies at Bay Pavilions

The development of the Bay Pavilions Sustainability Plan is a key action in the Eurobodalla Shire Council Finance Strategy 2024-2028, endorsed by Council on 19 December 2023 (Min FCS23/046), and the General Manager’s Performance Plan for 2023-24, reflecting Council’s focus on financial resilience and accountability going forward.

Background

The Bay Pavilions is a Council owned facility situated on Crown Land under Council's care and control. Construction of the facility was funded in part via state and Australian government grants, as well as Council funding.

The Bay Pavilions officially opened on 4 June 2022, with Aligned Leisure awarded the contract to operate the facility under a fee for service model.

Significant variations in operating costs and performance (e.g. visitation) were experienced during 2022-23, informing Council's decision to undertake three external reviews.

These include:

1. Financial management and operational performance review (KPMG)
2. Risk audit report and risk register (InConsult)
3. Energy audit (GHD)

In addition to the three external reviews, Council has identified maintenance requirements and put an associated program in place, as well as implementing improved financial processes.

The Bay Pavilions Sustainability Plan will be ongoing. It includes the outcomes of these external reviews, including recommended actions, as well as internal activities, incorporated under three strategic themes:

1. Financial resilience
2. Prudent asset management and operation
3. Accountability

Resourcing the delivery of the Plan will be achieved using existing staff and contractors, where appropriate.

Achievements to date (as @ 30 June 2024)

Council has taken steps to clearly identify the challenges and risks at the Bay Pavilions, in line with Council's fiscally responsible approach, as outlined in the Finance Strategy 2024-2028.

This focus and process will continue with the finalisation and implementation of the Bay Pavilions Sustainability Plan, with the implementation of the following actions already underway:

- Monthly monitoring of actual year to date revenue and expenses commenced (Action 5)
- Audit Bay Pavilions contractor documentation to ensure it exists and is fit for purpose (Action 6)
- Transition plan for move from defects liability period to business as usual (BAU) (Action 7)
- Monitor Energy consumption (Action 10)
- Review ancillary contracts e.g. cleaning contract, commenced (Action 12)
- Council's IT team to gain better understanding of information assets and infrastructure and assess cyber risks and technology-based risks (Action 18)
- Strengthen reporting governance between Council and Aligned Leisure (Action 19)
- Monitor incidents and compliance issues, including regular reporting ongoing (Action 23)
- Establishment, and then annual review and update of maintenance program (Action 26)

Defining Sustainability for the Bay Pavilions

The Bay Pavilions provides a range of community leisure and cultural services to the community, including swimming pools, learn to swim, gym and exercise facilities, a theatre, meeting rooms and art spaces.

The essential purpose of the centre is the provision of community/recreational services to the community, supported by additional business activities that align with existing services and programs. This means balancing costs against community expectations, with the various services on site subsidised by Council to some extent.

In developing the Plan there is a recognition that sustainability does not simply refer to financial sustainability, with a break-even or profit-making financial position for the facility.

It is about the establishment of a baseline of realistic financial performance expectations, achieving both value for money and quality, relevant programs and service delivery in which community benefits and participation are maximised.

As such, the Plan reflects a commitment to clear accountability, financial resilience, effective management, well defined performance expectations and proactive risk mitigation, as evidenced by the breadth of action areas to be addressed in the Plan.

Accountability and Reporting

Financial results for the Bay Pavilions are reported separately as part of Council's quarterly review process and in Council's Financial Statements annually, with Aligned Leisure contract information reported in the Annual Report.

A report on the performance and risk management of the Bay Pavilions is provided to Council's Audit, Risk, and Improvement Committee each quarter. This report includes financial information, risk management and operational results. Going forward it will include performance against Actions from the Sustainability Plan.

Financial Performance

The Bay Pavilions operating result is reported in Council’s annual financial statements and quarterly budget review statements. The facility is currently in its third year of operations and has reported operating deficits in each of those years. Table 1 shows the quantum of these deficits in each of these years.

Table 1 – Operating Result – Current

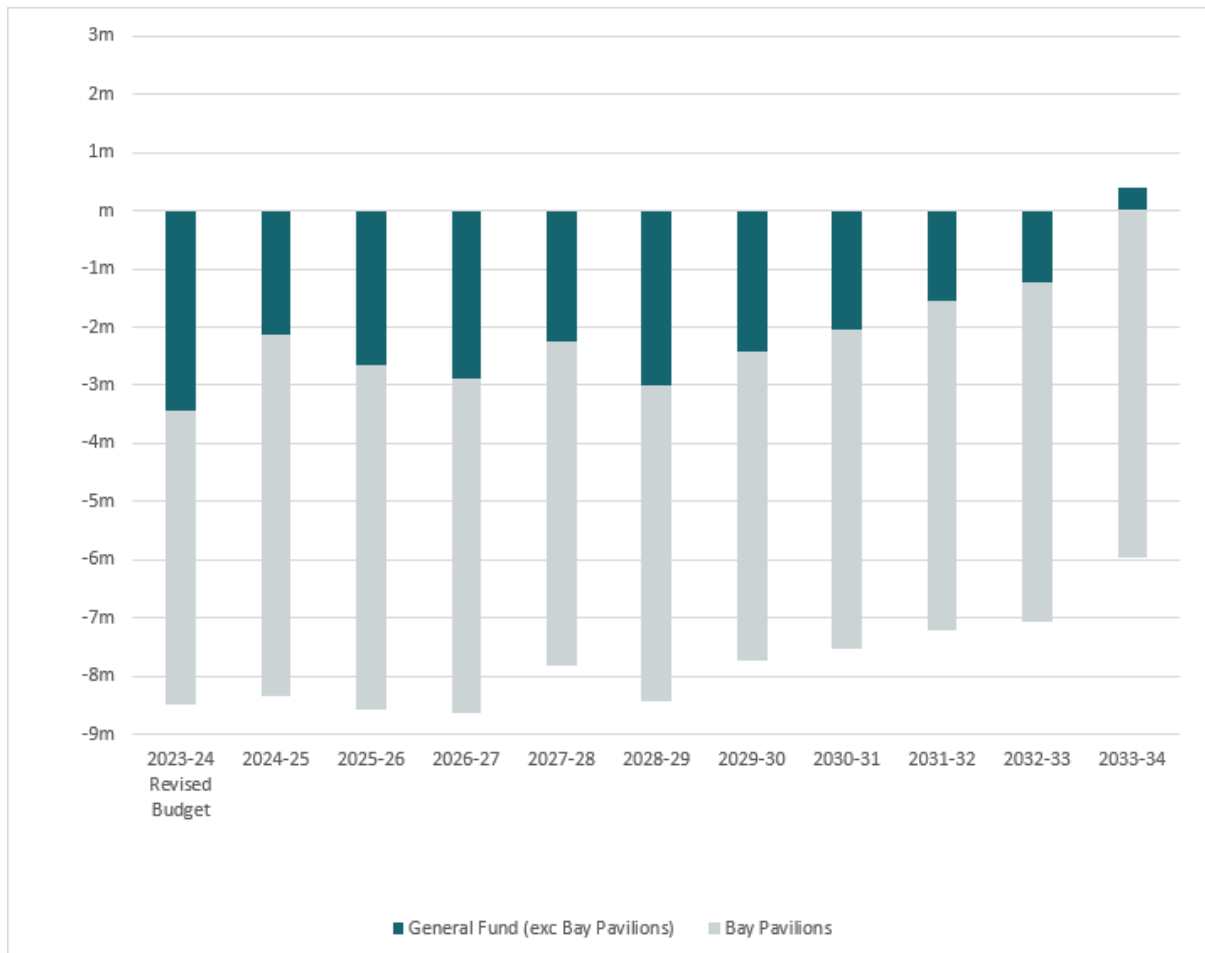
	\$ '000		
Financial Year ending 30 June	Income from continuing operations	Expenses from continuing operations	Operating Defecit
2022	285	1579	-1294
2023	3463	8230	-4767
2024 *	3947	9009	-5062

*Forecast results

The 2022 financial year was the first year of operations for the Bay Pavilions and was a short year in which the facility was operating for only 26 days. This accounts for the reduced income in this year.

Eurobodalla Shire Council currently operates three separate funds for reporting purposes: General, Water and Sewer. The operations of the Bay Pavilions fall under Council’s general fund. The impact of the large operating deficits at the Bay Pavilions has a significant impact on the overall general fund deficit of the Council as demonstrated in Graph 1 below.

Graph 1 – Impact of Bay Pavilions on general fund deficit



The long-term financial plan for the Bay Pavilions forecasts similar operating results for the ten-year life of the plan, with operating deficits averaging \$5.7 million.

The following assumptions have been made in developing the ten-year forecasts.

- The level of service provided at the facility is to be maintained aside from some slight reductions in opening hours and improved performance as outlined in this plan, reflected in increased revenue which averages at 5.2% increases across the ten-year period
- Contract costs (including all expenses related to the Aligned Leisure contract) increased by 2.5% annually
- Electricity and utility costs increases by 2.5% annually
- Depreciation expense based on existing infrastructure with no new asset expenditure forecast in the future and minimal renewal expenditure – assuming like for like replacement of assets
- Salary (for Council employees) increases are estimated based on the Local Government Award increases currently adopted (for 2024-25 and 2025-26) with future years increasing by 2.5%.
- Borrowing Costs relate to interest expense for existing long-term loans for the initial construction of the facility reducing over the ten-year period, with no new loans assumed in future years

Table 2 ten-year long term financial plan

\$'000's	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	2033-34
Operating Income	(4,236)	(4,772)	(5,191)	(5,603)	(6,008)	(6,406)	(6,504)	(6,604)	(6,706)	(6,873)
Employee Costs	125	129	132	135	139	143	146	150	154	157
Borrowing Costs	88	83	77	72	67	61	56	51	45	40
Depreciation	2,522	2,572	2,623	2,676	2,729	2,784	2,840	2,896	2,954	3,014
Materials and Contracts	7,707	7,900	8,098	8,300	8,507	8,720	8,938	9,161	9,391	9,625
Total Operating Expenses	10,442	10,684	10,930	11,183	11,442	11,708	11,980	12,258	12,544	12,836
Operating (Surplus)/Deficit	6,206	5,912	5,739	5,580	5,434	5,302	5,476	5,654	5,838	5,963

Strategic Theme One – Financial Resilience

Strategic Outcome to be achieved: Clear financial lines of responsibility and delegation are in place and well managed. Cost efficiencies are sought, implemented, and monitored, whilst partnerships and commercial opportunities are explored.

Actions

4. Clear delegation of expenditure to Aligned Leisure (beyond an agreed annual budget)
9. Implement energy audit recommendations
10. Monitor energy consumption
13. Conduct procurement review of Bay Pavilions
14. Explore partnerships with other service providers
15. Identify commercial opportunities at the site
25. Develop stronger links between Council tourism activities and Bay Pavilions marketing activities

Measures

- Delegation of expenditure to principal contractor in place
- Energy audit recommendations implemented
- Energy consumption monitored and issues actioned
- Procurement review of the Bay Pavilions achieved
- Evidence that partnership opportunities explored
- Commercial opportunities identified and actioned
- Evidence of stronger links between Council tourism and Bay Pavilions marketing

Strategic Theme Two – Prudent asset management and operation

Strategic Outcome to be achieved: Facility is well managed and maintained, contracts are maximised, and performance expectations are articulated and achieved. Risks and controls are identified, in place and monitored, with clear contingencies and crisis management protocols in place.

Actions

1. Review and consider renegotiation of current contract with Aligned Leisure
2. Establish realistic performance expectations with Aligned Leisure
7. Transition plan for move from defects liability period to business as usual (BAU)
8. Address and monitor the risk register, ensuring existence of all controls
11. Update Aligned Leisure Business and Service Plans
12. Review ancillary contracts e.g. Cleaning
16. Review management model for aquatic centres (Bay Pavilions, Moruya and Narooma)
21. Draft Contingency Plan
22. Review water treatment processes
26. Establishment, and then annual review and update of maintenance program

Measures

- Review and potential renegotiation process for principle fee for service contract undertaken
- Realistic performance expectation agreed, in place and achieved
- Defects liability period transition to BAU achieved
- Risk register monitored and reviewed proactively, with evidence of appropriate controls
- Aligned Leisure Business and Service Plans provided within agreed timeframes
- Ancillary contracts reviewed
- Contingency Plan drafted
- Evidence that maintenance plan is implemented and reviewed
- Management model reviewed
- Water treatment process reviewed

Strategic Theme Three - Accountability

Strategic outcome to be achieved: Financial controls, audits and monitoring is in place and actively managed. Risks are well understood, reviewed, and addressed, and robust governance and reporting is evident.

Actions

3. Strengthen financial controls between Council and Aligned Leisure with clear accountability (for top line and bottom line)
5. Monthly monitoring of actual year to date revenue and expenses
6. Audit Bay Pavilions contractor documentation to ensure it exists and is fit for purpose
17. Conduct benchmarking exercise at the Bay Pavilions
18. Council's IT team to gain better understanding of information assets and infrastructure and assess cyber risks and technology-based risks
19. Strengthen reporting governance between Council and Aligned Leisure
20. Review Council's Crisis Management Plan for the facility to ensure it covers a major incident such as loss of life
23. Monitor incidents and compliance issues, including regular reporting
24. Update risk assessment/risk audit annually

Measures

- Evidence of strong financial controls in place between principal contractor and Council
- Evidence of monthly monitoring of finances, including relevant adjustments
- Bay Pavilions' documentation audit achieved
- Council's IT service understands IT assets in place and associated risks
- Reporting governance is in place and robust
- Council's Crisis Management Plan reviewed
- Evidence that incidents and compliance issues are monitored and addressed.
- Risk assessment and risk audit reviewed annually.
- Benchmarking exercise undertaken and results analysed.

Eurobodalla Shire Council

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