

Local Government Service Delivery: Recreational Facilities



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Victorian Auditor-General

Local Government Service Delivery: Recreational Facilities

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The Hon Bruce Atkinson MLC President Legislative Council Parliament House Melbourne

The Hon Telmo Languiller MP Speaker Legislative Assembly Parliament House Melbourne

Dear Presiding Officers

Under the provisions of section 16AB of the Audit Act 1994, I transmit my report on the audit Local Government Service Delivery: Recreational Facilities.

Yours faithfully

Dr Peter Frost

Acting Auditor-General

23 March 2016

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Auditor-General's comments

These days, aquatic recreation centres (ARCs) provide a wide range of health and social wellbeing benefits to communities. ARCs have moved beyond the provision of basic swimming pools to incorporate multiple activities and facilities including spas, saunas, water play areas, child care and fitness classes. This has increased the scope, size and investment for ARCs with some new centres costing more than \$50 million to be constructed. At the same time there is a relatively high number of ageing council recreation facilities across the state.

Over the next four years the local government sector in Victoria is planning to spend approximately \$933 million to deliver community and recreational facilities. Councils are generally dependent on grants for the development or refurbishment of ARCs. Of the facilities managed by audited councils, only a small number generate operating profits or cover operating costs. However, the cost of developing and maintaining ARCs needs to be balanced against the important social and health benefits they provide.

Nevertheless the significant state and local government investment in ARCs must be seen in light of the broader financial sustainability issues facing the local government sector, including uncertainty about future grant allocations and the introduction of rate capping. While the ARCs examined in this audit have generally been well planned and managed, and underpinned by business cases and feasibility studies, these show that most facilities will need to be subsidised by the councils.

This heightens the need for councils to better evaluate ARC activities in relation to their overall social, health and wellbeing objectives to justify the ongoing investment. Various VAGO audits have identified poor evaluation practices as a perennial issue across the public sector, and this audit found similar issues. The focus continues to be on monitoring and reporting outputs instead of outcomes. Lack of effective evaluation for ARCs means councils are not able to assess or demonstrate whether they are meeting service needs and achieving councils' broader social, health and wellbeing objectives. This also means councils are not in a position to know if they are maximising value from their recreational facilities. Sport and Recreation Victoria (SRV) needs to assist councils to improve in this area.

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It was pleasing to see that the audited councils have effectively engaged with their communities for ARC related matters. In most cases councils have also provided sound advice on ARC matters to councillors. However, the communities' perceived unwillingness to accept some pool closures means that recommended advice has not always been followed. Going forward, it will be even more important that ARC investment decisions are based on sound advice and that tough decisions are made when needed.

Victoria's 79 councils individually plan their ARCs and compete for grants provided by both the Commonwealth and state governments. Both SRV and councils should improve regional planning to limit the extent to which new facilities may impact on existing neighbouring council capacity, and to coordinate future development, particularly at a regional level. SRV is ideally placed to facilitate improved regional planning and I am pleased it has accepted my recommendations to improve regional planning and monitoring, reporting and evaluation. I have made similar recommendations to councils.

Lastly, I would like to thank the staff from SRV, Local Government Victoria audited councils, and all those councils who took the time to participate in the statewide survey undertaken as part of this audit.

Dr Peter Frost

Acting Auditor-General

March 2016

Audit summary

Aquatic recreation centres (ARC) are diverse active social spaces that contribute to local economies, and provide job and income opportunities. They have developed beyond being basic pools to incorporate water play areas, hydrotherapy and attached gym facilities offering fitness classes. Childcare facilities are also sometimes co-located with modern ARCs. While these additions can make facilities more attractive to customers, they also increase building and maintenance costs. The relatively low return on investment means the private sector has limited interest in this area.

Statewide community satisfaction surveys undertaken by Local Government Victoria have found that ARCs are a high priority for communities. Data collected as part of this audit suggests that issues around ARCs are often high profile community and political issues. Councils seeking to close defunct or underutilised facilities often face significant community opposition, even where replacement facilities are developed or proposed.

This audit focused on Sport and Recreation Victoria (SRV) and six local councils the City of Greater Bendigo, the City of Whittlesea, Glen Eira City Council, Mansfield Shire Council, Moreland City Council and South Gippsland Shire Council. A survey of Victoria's 79 councils was also undertaken as part of the audit.

The audit objective was to assess the effectiveness of local government service delivery of ARCs. The audit assessed whether councils:

- effectively identify community needs for recreational facilities and services
- ARC planning decisions are soundly based
- maximise value from their recreational facilities.



Oak Park Aquatic Recreation Centre - photograph courtesy of Moreland City Council.

Conclusion

The audited councils effectively engage with their communities and have a sound understanding of their needs relating to ARCs. This informs planning for ARC redevelopments and the establishment of new facilities. While council administrators have provided sound advice to councillors, on both potential new developments and the strategic direction and feasibility of existing facilities, this advice has not always been followed.

The examined ARCs are generally well planned and managed, and all six audited councils used feasibility studies and business cases to support their development. However, most ARC operations are heavily subsidised by councils who are reliant on grants or other sources of income for new developments and the refurbishment of existing facilities.

The cost of providing ARCs should be balanced against social and other community outcomes, however, none of the audited councils effectively evaluate their ARC services to determine how well they are meeting needs and the council's broader social, health and wellbeing objectives. Similarly, SRV needs to improve its monitoring and reporting on the outcomes of ARC-related grants to provide greater assurance that grants to councils are achieving their intended objectives.

SRV also needs to improve regional planning so that facility planning and development is well coordinated and regional impacts are considered, particularly in the case of new developments which may affect neighbouring councils. Available information suggests there is a large number of ageing Victorian ARCs that will require significant spending in the near future. SRV should support councils by driving the development of strategic regional plans to address this issue and plan for future needs.

Findings

Understanding community needs

The audited councils demonstrate a good understanding of community needs for recreational facilities. They all use the International Association for Public Participation (IAP2) principles as a guide within their strategies, policies, and frameworks for community consultation and engagement.

The City of Greater Bendigo, Moreland City Council and Glen Eira City Council provided extensive documentary evidence of community consultation and engagement for both the planning and development of new and existing facilities, and ongoing consultation to determine service needs. Glen Eira City Council and the City of Whittlesea could also demonstrate intensive community engagement on matters involving a higher level of risk, for example the closure of a facility.

Although audited councils' needs identification methods are generally sound, in some instances they could be better documented to ensure councils can demonstrate the process is robust and ongoing.

Council response to community needs

The audited councils could demonstrate that they effectively analyse and respond to community needs in relation to ARCs. In addition to regular consultation, some audited councils—including the City of Whittlesea, Moreland City Council, Glen Eira City Council and the City of Greater Bendigo—have a process of regular customer feedback. However , Mansfield Shire Council and South Gippsland Shire Council could not demonstrate regular and ongoing feedback, and their consultation requires improvement.

Advice to councils

Overall, the audited councils have provided sound advice to councillors relating to ARCs—underpinned by business cases, feasibility studies or briefings that outlined community needs and each council's capacity to meet these needs. However, this advice has not been followed in all instances.

Despite well planned and extensive community engagement around the strategic direction of ARCs, community opposition to proposed pool closures is often vocal and well organised. Our survey asked councils if there were any bids, proposals or suggestions presented to councils in the past four years to permanently close or downgrade investments in ARCs. Of the 12 councils who answered yes, there were only two cases of permanent closures or reduced investment. The councils identified community and council objections as the key reasons for proposals not being accepted.

Evaluation activities

The audited councils could not demonstrate that they effectively evaluate the outcomes achieved by their ARCs, even though most undertook evaluation activities.

The audited councils do not evaluate their services against the objectives stated in their aquatic and recreation strategies, which means that they cannot understand the extent to which their objectives are being achieved. Audited councils use community feedback in the planning and delivery of aquatic facilities. While this demonstrates that councils are adapting services to meet community needs, it does not constitute evaluation of performance against intended outcomes.

An evaluation of the Community Facilities Funding Program (CFFP) 2010–14, undertaken by an external consultant engaged by SRV, indicates the evaluation was largely based on outcome reports SRV requires, which consist of unverified responses from local government. The outcome reports are very brief and not all questions are answered, and some reported outcomes cannot be attributed to

ARCs. Key shortcomings with SRV's outcomes reporting and CFFP evaluation mean that there is no assurance that the CFFP was supporting councils and meeting its objectives.

Planning for aquatic recreation centres

All six audited councils have used robust feasibility studies and business cases to effectively plan for ARCs. These planning documents should assist councils to make decisions about the planning and development of new ARCs or the redevelopment of existing centres.

Feasibility studies and business plans were generally sound, except that none of the councils' feasibility studies forecasted future capital replacement costs. However, some councils included the refurbishment costs in their strategic planning documents.

The audited councils generally subsidise ARC running and maintenance costs, which is an acceptable practice considering the social benefits of ARCs. Social benefits need to be considered by councils when determining their operating purpose, and a common theme in council planning documents is the need to balance the social benefits of ARCs with their financial implications.



Mansfield Swimming Pool - photograph courtesy of Mansfield Shire Council.

Sustainability of aquatic recreation centres

The audited councils are mostly reliant on grants to develop or refurbish ARCs, which creates long-term sustainability issues. As a result, councils must ensure that their facilities are underpinned by sound planning and operate as efficiently as possible. It is unclear where major redevelopment funds could be sourced if grants were no longer available.

SRV provides grants to councils for ARCs—with inner metropolitan councils required to provide a higher proportion of matched funding than outer metropolitan, regional and rural councils. Grants are coupled with assistance from SRV staff, who provide advice and other support to councils.

Regional planning

Effective regional planning for ARCs would help to avoid a concentration of facilities in specific regions or areas. There is currently no coordinated regional planning for ARCs either by SRV or by councils.

Victoria's ARCs are ageing and are likely to require significant capital expenditure for refurbishment and redevelopment. Available data suggests existing outdoor swimming pools, which are more expensive to repair and maintain, are generally more than 20 years old with some being over 50 years old. Without effective strategic regional planning this could lead to significant future problems.

While SRV provides grants for regional planning, limited use has been made of these types of grants. SRV has made some progress in regional planning through facilitating workshops in regional areas with the aim of improving collaboration between councils.

SRV should encourage more regional planning grant applications to enable facilities to be better planned by taking into account regional considerations, and should consider making this a requirement for eligibility for capital grants.

Recommendations

Number	Recommendation	Page
1.	Councils should improve aquatic recreation centre monitoring, reporting and evaluation activities so that they can demonstrate the achievement of council objectives and outcomes.	18
2.	Sport and Recreation Victoria should improve its monitoring, reporting and evaluation of aquatic recreation centre related grants to provide assurance these are achieving their intended outcomes.	18
3.	Sport and Recreation Victoria should assist councils to improve regional strategic planning relating to aquatic recreation centres so that developments and refurbishments are well coordinated and regional needs and impacts are appropriately considered.	30
4.	Sport and Recreation Victoria should require councils to demonstrate effective regional planning to be eligible for government grants.	30
5.	Sport and Recreation Victoria should, in conjunction with councils, update its recreational facilities database and drive the development of aquatic recreation centre regional plans for all of Victoria—which identify areas requiring refurbishment, replacement, and the development of new aquatic recreation centres.	30

Submissions and comments received

We have professionally engaged with Local Government Victoria, Sport and Recreation Victoria, Glen Eira City Council, the City of Greater Bendigo, Mansfield Shire Council, Moreland City Council, South Gippsland Shire Council and the City of Whittlesea throughout the course of the audit. In accordance with section 16(3) of the *Audit Act 1994* we provided a copy of this report to those agencies and requested their submissions or comments. We also provided a copy of the report to the Department of Premier & Cabinet for comment.

We have considered those views in reaching our audit conclusions and have represented them to the extent relevant and warranted. Their full section 16(3) submissions and comments are included in Appendix C.

Background

1.1 Recreational services and facilities

1.1.1 Aquatic recreation centres

Aquatic recreation centres (ARC) are diverse active social spaces that contribute to local economies, and provide job and income opportunities. Council ARCs provide important health, wellbeing and social benefits to the community.

ARCs often incorporate facilities beyond basic pools, and include a wide range of both wet and dry activities. The most common elements in ARCs are swimming pools, spas, saunas and water play areas. Dry areas of ARCs include multipurpose rooms, such as gymnasiums, group fitness class spaces and basketball or squash courts. ARCs now offer hydrotherapy and fitness classes and some have co-located childcare facilities to attract more visitors. Larger ARCs in Victoria are mostly council owned. The relatively low return on investment means the private sector has limited interest in this area.



Glen Eira Sports and Aquatic Centre (GESAC) - photograph courtesy of Glen Eira City Council.

Between 2015–16 and 2018–19, Victoria's 79 councils have planned \$933 million in capital expenditure on recreational and community facilities. Many councils deliver these facilities and associated services in the context of ongoing financial sustainability issues, including uncertainty around future grant allocations and rates-based revenue, and mixed community capacity to absorb higher fees.

The discontinuation of adjusting state and federal capital grants in line with the Consumer Price Index is also an important factor to consider. This and other changes, such as the introduction of rate capping from July 2016, mean that councils must plan and invest strategically to ensure the sustainability of ARCs.

Data collected as part of this audit suggests that changes to ARCs, like closing down an underutilised facility or changing operation hours of facilities, are often high profile community and political issues. Councils seeking to close defunct or underutilised facilities face significant community opposition, even where replacement facilities are developed or proposed. Statewide community satisfaction surveys undertaken by Local Government Victoria (LGV) have found that communities place a high social value on the availability of ARCs. There may also be a high level of 'optional demand' for ARCs, that is, communities want an ARC to be available even though they may not use it.

1.2 Legislation and guidance

The Local Government Act 1989

The *Local Government Act 1989* (the Act) stipulates that the primary objective of a council is to endeavour to achieve the best outcomes for the local community, having regard to the long-term and cumulative effects of decisions. In seeking to achieve its primary legislative objective, a council must have regard to the following facilitating objectives:

- to promote the social, economic and environmental viability and sustainability of the municipal district
- to ensure that resources are used efficiently and effectively, and services are provided in accordance with the Best Value Principles to best meet the needs of the local community
- to improve the overall quality of life of people in the local community
- to promote appropriate business and employment opportunities
- to ensure that services and facilities provided by the council are accessible and equitable
- to ensure the equitable imposition of rates and charges
- to ensure transparency and accountability in council decision-making.

When planning, developing and managing ARCs and their associated services, councils must have regard to both the primary legislative objective and the facilitating objectives.

A range of other legislative requirements, standards and codes apply to ARCs, these are detailed in Appendix A.

1.3 Roles and responsibilities

1.3.1 Local government

Local government is recognised under the *Victorian Constitution Act 1975* as a discrete and essential tier of government consisting of democratically elected councils having the functions and powers necessary to ensure peace, order and good governance of each municipal district. Councils work to improve the overall quality of life of communities while effectively and efficiently planning the use of available resources. Victoria has 79 local councils. Most ARC facilities are developed and managed by local governments.

1.3.2 Sport and Recreation Victoria

Sport and Recreation Victoria (SRV) is part of the Department of Health & Human Services. It provides financial support to councils in the form of grants, as well as advice and assistance throughout the various stages of ARC development. SRV's key aim is maximising the economic and social benefits provided by the sport and recreation sector, through the following key objectives:

- ensuring greater access and opportunities for participation in sport and recreation
- maintaining Victoria's reputation as Australia's leading state for sporting and major events
- improving the quality of community sport and recreation facilities
- strengthening the capacity of sport and recreation organisations
- continuing to build the robust evidence base for sport and recreation activities
- reinforcing the enriching role that sport and recreation play in people's lives.

1.3.3 Local Government Victoria

LGV is part of the Department of Environment, Land, Water & Planning and in partnership with councils, works to improve business and governance practices to maximise community value and accountability. It supports and advises the Minister for Local Government in administering the Act. LGV provides advice and support to councils in relation to their roles and responsibilities under the Act, including on such matters as governance, elections and resource management. LGV collects information from councils relating to capital expenditure, including on recreational facilities, but does not have project or council specific details of planned aquatic facilities or their associated capital expenditure. LGV has a limited role in the activities that are the focus of this audit.

1.3.4 Aquatics & Recreation Victoria

Aquatics & Recreation Victoria (ARV) is the peak body for aquatics and recreation in Victoria. ARV provides strategic support and guidance to relevant stakeholders including councils, state government, schools and other industry bodies and support groups. ARV also undertakes research on aquatic and recreation related matters.

1.4 Government grants

There are numerous grants available to councils to assist with the development and maintenance of ARCs. Grants for construction and redevelopment have been funded from a diverse set of programs including the Commonwealth National Stronger Regions Fund and the state Regional Growth Fund. SRV, through its programs, manages some of the state grants for ARCs. These programs are not limited to ARCs and cover a range of services, facility and infrastructure development which leads to a strong competition for funds.

1.4.1 Community Facilities Funding Program

From 2010–11 to 2014–15 the Victorian Community Facilities Funding Program provided \$83.3 million in funding to councils for various sports and recreation facilities. SRV provided \$23.3 million of this funding specifically for 39 ARC related projects. The total value of those projects was \$176.2 million.

1.4.2 Community Sports and Infrastructure Fund

The 2015–16 State Budget established a new \$100 million Community Sports Infrastructure Fund (CSIF) of which \$10 million was allocated to build and upgrade women's change rooms and facilities, \$10 million for cricket including local club buildings, and \$23 million for 29 other specific projects.

Through the CSIF, SRV provides grants to councils for ARCs across several categories:

- better pools—up to \$3 million for new or substantial redevelopment
- major facilities—grants of up to \$650 000 to develop or upgrade major sport and recreation facilities
- minor facilities—up to \$100 000 for the renewal or modernisation of small aquatic leisure facilities in rural, regional and outer metropolitan municipalities where indoor aquatic centre access is limited
- planning—up to \$30 000 for recreation planning and facility feasibility studies, or \$50 000 to support regional planning where the scope extends beyond one municipality.

The grants provided require a specific contribution from councils, with higher contributions required for metropolitan areas than for growth and rural areas. The amount of funding distributed to councils for ARCs across the three categories depends on applications received in annual funding rounds, and on the availability of funding.

1.5 Aquatic recreation centres in Victoria

There is no source of complete and accurate data about the number and type of council-owned ARCs in Victoria. SRV has a database for state swimming pools which contains some information and VAGO undertook a statewide survey as part of this audit to collect baseline information.

1.5.1 Sport and Recreation Victoria Geographic Information System database

SRV maintains a Geographic Information System (GIS) database, which provides data and mapping information for ARCs, such as:

- size of facilities
- age of facilities
- condition of facilities.

Councils are responsible for entering the data on the GIS tool. There are 329 swimming pools currently listed, and SRV has advised that the database includes all pools accessible to the public—278 council-owned ARCs and an additional 51 non-council facilities. Those additional pools include swimming pools belonging to schools, universities, and some privately owned facilities.

Figure 1A shows the location of all 329 pools and shows a higher density of swimming pools in the metropolitan areas of Melbourne as compared to regional and rural Victoria.

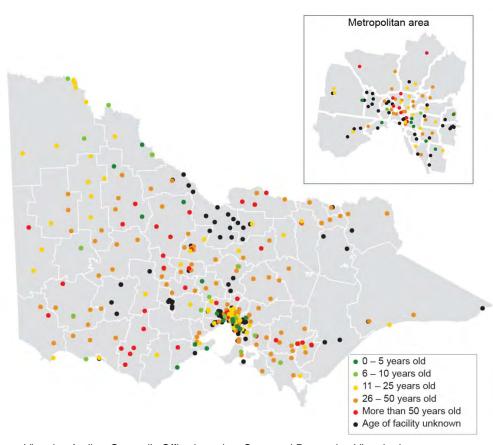


Figure 1A
Victorian swimming pools by age of facility

Source: Victorian Auditor-General's Office based on Sport and Recreation Victoria data.

1.5.2 VAGO survey of Victorian councils

Our statewide survey of councils focused on various aspects of the management of ARCs in Victoria and on the future plans of councils. The survey method is outlined in Section 1.8 of this report. Seventy-eight of the 79 councils participated in the survey.

Figure 1B shows the number of ARCs as reported by councils, highlighting that over 72 per cent of councils have four or fewer ARCs in their jurisdiction.

Figure 1B

Number of ARCs reported by Victorian councils

ARCs	Councils	Per cent	Total ARCs
0	4	5.1	0
1	12	15.2	12
2	15	19.0	30
3	12	15.2	36
4	14	17.7	56
5	6	7.6	30
6	8	10.1	48
7	3	3.8	21
8	4	5.0	32
13	1	1.3	13
Total	79	100	278

Source: Victorian Auditor-General's Office 2015 survey of councils.

Non-metropolitan councils have a higher number of ARCs than metropolitan councils, as shown in Figure 1C.

Figure 1C
ARC locations by council type

Area	Number of ARCs	Per cent
Outer metropolitan	39	14
Inner metropolitan	44	16
Regional cities	58	21
Small shires	66	24
Large shires	71	25
Total	278	100

Source: Victorian Auditor-General's Office 2015 survey of councils.

The survey also found:

- approximately 65 per cent of ARCs are outdoor
- almost 73 per cent of ARCs have two to three pools
- only 31 per cent of ARCs are open throughout the whole year.



Carnegie Swim Centre - photograph courtesy of Glen Eira City Council.

1.6 Previous performance audit

Business Planning for Major Capital Works and Recurrent Services (2011)

This audit examined whether councils prepared rigorous business cases for major capital works and how well councils analysed their recreation services before making ongoing investments. The audit found that business cases were generally not developed, and councils could not demonstrate they had undertaken work that enabled them to ensure services met community needs and supported the achievement of relevant objectives.

1.7 Audit objective and scope

This audit examined how effectively local governments manage council ARCs. It assessed whether councils:

- effectively identify community needs for recreational facilities and services
- ARC planning decisions are soundly based
- maximise value from their recreational facilities.

The audit focused on SRV and six local councils:

- the City of Greater Bendigo
- the City of Whittlesea
- Glen Eira City Council
- Mansfield Shire Council
- Moreland City Council
- South Gippsland Shire Council.

1.8 Audit method and cost

We surveyed all 79 Victorian councils to:

- establish baseline data for the number and type of ARCs within a municipality, their funding models, and operational models as well as current and ongoing expenditure
- seek information about municipal evaluation activities and community engagement in relation to ARCs
- seek councils' views on how investment decisions are made, what kinds of support and assistance are useful, and factors affecting investment decisions about ARCs.

The audit also involved more specific and detailed assessments of the performance of each of the six audited councils.

This included but was not limited to:

- desktop research and interviews with relevant departmental and agency staff
- · council site visits
- examination of relevant policy, procedure and operational documents
- examination of different models of service delivery
- review of reports, evaluations and feasibility studies that have been undertaken
- document and file examination of other relevant evidence.

The audit was conducted in accordance with section 15 of the *Audit Act 1994* and the Australian Auditing and Assurance Standards. Pursuant to section 20(3) of the *Audit Act 1994*, unless otherwise indicated, any persons named in this report are not subject of adverse comment or opinion.

The total cost of the audit was \$410 000.

1.9 Structure of the report

The report is structured as follows:

- Part 2 discusses the community needs and outcomes of ARCs
- Part 3 discusses the planning and management of council ARCs.

Aquatic recreation centres – community needs and outcomes

At a glance

Background

Councils must effectively engage with the community on existing and future aquatic recreation centre (ARC) developments to determine whether facilities meet current and future community needs. Councils also need to evaluate their services to determine whether they are achieving their strategic objectives. Sport and Recreation Victoria (SRV) provides support to councils' ARC developments through grants and the provision of facility development advice.

Conclusion

The audited councils demonstrate a sound understanding of community needs and effectively use this to plan and develop ARCs. However, there is a need to improve evaluation to understand whether ARCs are achieving council objectives. SRV should improve its monitoring and reporting and require better outcome reports from councils, to better understand the effectiveness of its grants for ARCs.

Findings

- Audited councils effectively engage with communities to identify ARC needs.
- Recommended options for ARCs are not always followed by councils.
- There is a lack of effective evaluation against ARC and council objectives.
- SRV outcomes reporting is based on council responses and has limited reliability.

Recommendations

- Councils should improve ARC monitoring, reporting and evaluation activities so that they can demonstrate the achievement of council objectives and outcomes.
- SRV should improve its monitoring, reporting and evaluation of ARC-related grants to provide assurance these are achieving their intended outcomes.

2.1 Introduction

Councils require a sound understanding of community needs so they can determine how to maximise attendance at recreational facilities, and ensure that related expenditure on aquatic recreation centres (ARC) is soundly based.

This requires effective arrangements within councils for facility planning, and for monitoring and reporting on the performance of ARCs. Sport and Recreation Victoria (SRV) provides financial and non-financial support to councils for their ARC developments.

2.2 Conclusion

The audited councils effectively engage with their communities to understand their needs relating to aquatic facilities and related services.

It is evident that this understanding has informed the planning for ARC redevelopments and the establishment of new facilities. However, while council administrators have provided sound advice to councillors, both on potential new ARC developments and on the feasibility of continuing financial support to existing facilities, this advice has not always been followed.

None of the audited councils effectively evaluate ARC services to determine the extent to which they are meeting service needs and broader council objectives. There is a need to better link services with councils' strategic objectives to assist in tracking progress towards these objectives. SRV's outcomes reporting for ARC-related grants is largely dependent on council feedback, which is very brief and wrongly attributes outcomes to ARCs. SRV lacks effective evaluation of whether the grants provided to councils are achieving their objectives.



Brunswick Baths - photograph courtesy of Moreland City Council.

2.3 Understanding community needs

Councils must understand the needs and specific characteristics of their residents, in order to maximise usage of ARCs and to achieve their associated social, health and wellbeing objectives. Maximising community use of these facilities is also important to increase their financial sustainability.

The International Association for Public Participation (IAP2) principles sets out guidelines of when to consult and engage stakeholders based on the level of risk or impact of a decision. VAGO's 2015 better practice guide *Public Participation in Government Decision-making*, which draws on the IAP2 principles, also identifies the various levels of public participation.

2.3.1 Community engagement

The audited councils effectively engage with their communities. All audited councils use the IAP2 Principles as a guide within their strategies, policies, and frameworks for community consultation and engagement.

The City of Greater Bendigo, Moreland City Council and Glen Eira City Council provided extensive documentary evidence of community consultation and engagement for both the planning and development of new and existing facilities, and ongoing consultation to determine service needs. Glen Eira City Council and the City of Whittlesea could also demonstrate robust community engagement on matters involving a higher level of risk, for example the closure of a facility.

The audited councils use multiple methods of community engagement—as shown in Figure 2A. This has assisted them to understand demographics and community expectations.

Figure 2A
Needs identification methods—audited councils

Type of needs identification	Number of councils
Ratepayer or resident surveys	6
External dataset (e.g. Australian Bureau of Statistics' Socio-economic Indexes for Areas)	6
Submissions process	6
External expertise (e.g. leisure consultancy)	6
Options analysis	6
Feasibility study	5
SRV documentation/guidelines/staff expertise	5
Committee or advisory group	4
Research project	3
Needs analysis	1
Public discussion paper	1

Source: Victorian Auditor-General's Office based on information provided by audited councils.

Figure 2B provides some further examples of effective community engagement by audited councils.

Figure 2B Community engagement by audited councils

	Community engagement by addited councils
Council	Community engagement examples
Glen Eira City Council	Glen Eira City Council conducted an extensive process to determine future directions for the Carnegie Swim Centre redevelopment, resulting in the retention and upgrade of the existing outdoor pool. This engagement involved public meetings, local newspaper articles, an online forum and flyers.
City of Greater Bendigo	The City of Greater Bendigo began conducting its Active Living Census in 2014, which surveys residents on activity levels, organised sport, health indicators, and on where improvements to services or infrastructure may be made. In 2014, there were 17 437 responses or 16.1 per cent of the total population.
Mansfield Shire Council	Mansfield Shire Council conducted a community engagement process which led to the decision to maintain the existing outdoor pool rather than develop a new indoor centre in 2011.
Moreland City Council	Moreland City Council involved community members in decision-making about its ARCs through various activities such as visits to other councils' ARCs to assist with new investments. In terms of the IAP2 principles for public participation this would form a higher level of engagement falling into the collaborative category of the public participation spectrum.
South Gippsland Shire Council	South Gippsland Shire Council undertook a community engagement process as part of development for its <i>Strategic Direction for Aquatic Facilities in South Gippsland 2015–2020</i> which sought to match community expectations with the financial capacity of the council.
City of Whittlesea	The City of Whittlesea conducted community consultation to ensure community expectations matched council strategic direction for future development, based on its need to ensure scarce financial resources were allocated in a way that best meets community needs.

Source: Victorian Auditor-General's Office based on information provided by audited councils.



Foster Pool – photograph courtesy of South Gippsland Shire Council.

2.4 Council response to community needs

The audited councils could demonstrate that they effectively analyse and respond to community ARC needs. Figure 2C shows how each council has developed programs and changes to facilities in direct response to community needs.

Figure 2C
Audited councils' responsiveness to community needs

Council	Responsiveness of councils
Glen Eira City Council	Changes to class schedules and structures to tailor to demands from the community.
City of Greater Bendigo	Annual aquatics customer survey data led to the extension of opening hours at Bendigo Aquatic Centre.
Mansfield Shire Council	Delivery of bus service to a neighbouring ARC for senior citizens' swimming class.
Moreland City Council	Culturally appropriate women's and men's only swimming times.
South Gippsland Shire Council	Revised pool operations and management contract in response to community disquiet about changes to required minimum temperatures for pool opening times.
City of Whittlesea	Introduction of Koori Learn to Swim program.

Source: Victorian Auditor-General's Office based on information provided by audited councils.

In addition to regular consultation, some audited councils—the City of Whittlesea, Moreland City Council, Glen Eira City Council and the City of Greater Bendigo—have a process of regular customer feedback. This is incorporated into council reporting to ensure that reasonable requests are addressed, including changing operational hours, improving hygiene and addressing cleanliness issues. Mansfield Shire Council and South Gippsland Shire Council do not have a process to receive regular customer feedback and should improve their consultation and feedback mechanisms.

2.5 Advice to councils

Under the *Local Government Act 1989* the provision of timely advice to councils is a function of the chief executive officer. Robust advice should assist councillors to make decisions in relation to ARC operations, new developments or closures.

Overall, the audited councils have provided sound advice to councillors underpinned by well-developed business cases, feasibility studies or briefings that outlined community needs and councils' capacity to meet those needs. However, in some instances the advice was not followed.

2.5.1 Pool closures

Despite well planned and extensive community engagement around the strategic direction of ARCs, community opposition to proposed pool closures is often vocal and well organised. Some examples of this are shown in Figure 2D.

Figure 2D Pool closure advice to councils—case studies

Moreland City Council closed the Coburg Olympic swimming pool in 2004. Options were presented to council including closure due to low patronage and the condition of the pool requiring significant financial investment, but this was strongly rejected by the community, which formed a lobby group. The pool was subsequently reopened in 2006 and continues to operate at an average annual loss of \$200 000.

The City of Greater Bendigo's administration gave multiple briefings about the future of Golden Square Swimming Pool to councillors, providing options for management and closure of the pool. Council did not accept the recommended closure option and instead established a management arrangement with Golden Square Swimming Pool Inc. The pool continues to operate and in 2014–15 it made a loss of \$70 764 with council subsidising each visit at a cost of \$6.67.

Source: Victorian Auditor-General's Office.

Our survey asked councils if there were any bids, proposals or suggestions presented to them in the past four years to permanently close or downgrade investments in ARCs. Of the 12 councils who answered yes, there were only two cases of permanent closures or reduced investment. The councils identified community and council objections as the key reasons for proposals not being accepted.



Korumburra Outdoor Pool – photograph courtesy of South Gippsland Shire Council.

2.6 Evaluation activities

Effective reporting and performance evaluation is important to assist councils to understand the extent to which ARCs are contributing to their health, wellbeing, social and recreational objectives. To do this, councils should ensure that services are evaluated not just in terms of outputs, but also in terms of outcomes.

2.6.1 Council evaluation activities

None of the audited councils could demonstrate that they effectively evaluate the outcomes achieved from their ARCs even though most undertook some evaluation activities mainly as part of planning and development for future needs, or as part of contracts with private providers. Figure 2E highlights the main types of evaluation activities undertaken by audited councils.

Figure 2E
Councils ARC evaluation activities

Council	Evaluation activities
City of Greater Bendigo	The City of Greater Bendigo's Aquatic Facilities Strategy emphasises the importance of its aquatic facilities in terms of the health and wellbeing outcomes they support.
	Its aquatic services are linked to the council plan, but it does not have key performance indicators with its contracted provider for five of its 12 pools. These are required to assist it in determining whether aquatic facilities are achieving their objectives.
Glen Eira City Council	Glen Eira City Council undertakes quarterly reporting to council on its Community Plan against specific targets including reporting on Glen Eira Sports and Aquatic Centre (GESAC) and Carnegie Swim Centre—mainly relating to the number of visitors and various awards the facilities have received. GESAC also evaluates its services against its annual business plan and key objectives. However, this is mostly output based and focuses on visits, profits and increased usage by certain cohorts. Monthly reporting is done by GESAC across a range of key performance indicators—mainly operational.
Mansfield Shire Council	Mansfield Shire Council's Aquatic Facility study discussed the needs of the local community in relation to health and wellbeing. However, there was no evidence of how the existing facility was achieving council's objectives.
Moreland City Council	Moreland City Council's contracted service provider reports on a monthly, quarterly and annual basis through operational, financial and data capture reports—including performance against key performance indicators, annual plan objectives and strategic plan objectives.
	Council provided advice to councillors on the failure of the provider to adhere to the initial contract and to deliver the service objectives that were expected.
	The council has renegotiated its contract to address these factors, however, this review was limited to an assessment of the contract terms and there is no evaluation of the contract for achievement of health and wellbeing outcomes.

Figure 2E
Councils ARC evaluation activities – continued

Council	Evaluation activities
South Gippsland Shire Council	South Gippsland Shire Council requires contractors to demonstrate how programming will encourage community health and wellbeing. It requires monthly reports from its two contracted providers, including financial performance, maintenance, and service utilisation—for example visit numbers and swimming class enrolments. However, this is limited to a focus on increased use of facilities with no evaluation of the outcomes achieved.
City of Whittlesea	The City of Whittlesea requires providers to develop an annual business plan which demonstrates how service delivery will assist in achieving council objectives. However, there is limited evidence of evaluation of actual strategies, although there is some reporting against council objectives.

Source: Victorian Auditor-General's Office based on information provided by audited councils.

Figure 2F shows that audited councils use a range of different tools to assist them in undertaking evaluations.

Figure 2F
Audited councils' ARC evaluation activities by type

Evaluation methods	Number of councils
Survey	6
Internal benchmarking	5
User groups	4
Service/facility management reviews	4
Contract review	4
External benchmarking service	2
Mystery shopper	1

Source: Victorian Auditor-General's Office based on information provided by audited councils.

An important aspect of service evaluation is assessing performance against council aquatic strategies, recreation strategies, or business plans which have guiding principles and objectives that relate to the council's overall strategic plan. However, the audited councils do not evaluate their services against these objectives and therefore they cannot understand the extent to which these are being achieved. All of the audited councils use community feedback as a method of evaluating the service provided. While this demonstrates that councils are adapting services to meet community needs, it does not constitute evaluation of performance against intended outcomes.

SRV has identified that aquatic centre benchmarking exercises such the Centre for Environmental and Recreation Management (CERM) Performance Indicators used by the University of South Australia could provide a platform to evaluate ARCs. SRV also advised that it is willing to facilitate discussions with Local Government Victoria and Aquatics & Recreation Victoria to identify how greater use of CERM Performance Indicators could be achieved and reported on.

The Department of Environment, Land, Water & Planning (DELWP) has advised that it supports measures to better understand how councils are delivering on stated objectives and outcomes and it is undertaking steps—through implementation of the *Local Government Performance Reporting Framework* and *Know Your Council* website—to support and promote better performance reporting on local governments.

Our survey found that most councils use a number of methods for evaluating their service delivery. The most common methods were financial analysis, monitoring complaints, door sales or entries and user satisfaction surveys. This indicates a similar approach to evaluation as that used by the audited councils.

2.6.2 Community Facilities Funding Program evaluation

The Community Facilities Funding Program (CFFP) 2010–14 assisted councils in delivering new and redeveloped community facilities and was delivered by SRV by providing grants and other support to councils. The CFFP provided \$23.3 million in funding to councils for new and existing ARCs over four years. SRV commissioned a consultant to undertake an evaluation of the CFFP.

The CFFP evaluation was largely based on outcomes reports provided by local governments to SRV which only consist of responses from councils. While the evaluation sought to strengthen these findings through the use of case studies, workshops and a survey, these methods were mainly based on councils' own feedback. Program effectiveness was assessed on the basis of outcomes reports, which are overwhelmingly positive and unreliable because of a lack of independent verification.

The evaluation recommended a review of outcomes reports to allow program benefits to be better measured, including through accurate reporting of participation, and energy and water savings. The evaluation also recommended providing benchmarking to enable comparison, noting that a reliance on feedback and a failure to verify council claims meant that the effectiveness and efficiency in achieving objectives and outcomes is not known.

SRV advised that the outcomes reporting process was designed to capture a snapshot of outcomes for all investments across a range of programs and initiatives. The reports were intentionally kept brief to reduce the administrative burden on councils.



Oak Park Aquatic Centre - photograph courtesy of Moreland City Council.

We also assessed a selection of 16 outcome reports from a range of council ARC projects across Victoria which were funded under the Better Pools and Minor Pools grant categories between 2008 and 2013. Outcome reports are completed using a template and are designed to be brief. However, there are several issues associated with this reporting. Specifically, requiring grant recipients to evaluate the benefit of scarce resources provided by SRV is unlikely to produce a negative result—there were no negative results in any of the 16 reports analysed. In many cases not all questions were answered, and grant recipients cited outcomes that were unlikely in the context of the project the grant had funded, with no requirement to provide evidence to demonstrate that these had occurred.

Improving outcome reporting for grant programs and using this information to assess future grants applications would assist SRV to achieve its overall objectives.

Recommendations

- Councils should improve aquatic recreation centre monitoring, reporting and evaluation activities so that they can demonstrate the achievement of council objectives and outcomes.
- Sport and Recreation Victoria should improve its monitoring, reporting and evaluation of aquatic recreation centre related grants to provide assurance these are achieving their intended outcomes.

Managing aquatic recreation centres

At a glance

Background

Council aquatic recreation centres (ARC) provide important health, wellbeing and social benefits to the community and require significant investment and ongoing council support to maintain. As a result, councils must ensure that they are well planned in order to maximise social outcomes and minimise costs.

Conclusion

The audited councils generally plan well for the provision of ARCs using robust business cases, feasibility studies and business plans. Most of the audited council ARCs do not generate an operating profit but this should be balanced against social benefits. There is incomplete statewide data on ARCs—with available data showing that most ARCs are significantly aged. There is a need for more effective regional planning to avoid a concentration of ARCs in some areas of the state and to effectively manage the ageing stock, which may require significant expenditure in the coming years.

Findings

- Audited councils have developed feasibility studies which are generally sound, but do not include capital replacement costs.
- Audited councils are reliant on grants for future ARC-related capital expenditure.
- Overall, there is an ageing stock of Victorian ARCs.
- Sport and Recreation Victoria (SRV) provides valuable support to councils but regional planning is limited.

Recommendations

- SRV and councils should improve regional strategic planning relating to ARCs
- SRV should require councils to demonstrate effective regional planning to be eligible for government grants
- SRV should, in conjunction with councils, update its recreational facilities database and drive development of regional plans for ARCs.

3.1 Introduction

Aquatic recreation centres (ARC) provide valuable social, health and wellbeing benefits to the community. However, due to the generally low financial return on investments, they do not appeal to the private sector, which means that ARCs are most commonly invested in by local governments. Sound management of these facilities is important to ensure the value of ARCs is maximised and to balance the achievement of financial and social outcomes.

There are multiple operational models that councils can consider for ARCs. Councils should determine which model is most appropriate taking into account the type and quantity of ARCs they provide, and the kind of benefits desired from the service.

3.2 Conclusion

The audited councils' ARCs are generally well planned and managed. All six councils use feasibility studies and business cases to assist in their decision-making. Most of the audited councils do not generate an operating profit from ARCs but this should be balanced against social and other community outcomes. Most ARC operations are heavily subsidised by councils who are also reliant on grants or other sources of income for new developments and the refurbishment of existing facilities. There is a need for more effective coordination across councils for future ARC developments to ensure their sustainability.

Sport and Recreation Victoria (SRV) needs to improve regional planning so that facility planning and development is well coordinated and regional impacts are considered, particularly in the case of new developments which may affect neighbouring councils. Available information suggests there is a large number of ageing Victorian ARCs which will require significant spending in the near future. SRV should support councils by driving the development of strategic regional plans to address this issue and plan for future needs.

3.3 Planning for aquatic recreation centres

Councils must ensure that planning and investment decisions are evidence based, and the capital, revenue, cost and patronage assumptions need to be well documented. This includes linking measurable objectives to council priorities, supported by clear strategies, actions and performance monitoring, and clearly identifying the service levels, resources and responsibilities for achieving them.

The audited councils have all developed comprehensive feasibility studies and business cases to plan for ARCs. They used these to assist in council decision-making relating to planning and developing new ARCs or redeveloping existing ARCs.

3.3.1 Feasibility studies

Feasibility studies analyse the ability to complete a project successfully, taking into account economic, legal, technological and other factors. They also provide future projections of the costs and benefits of a project based on certain assumptions. These studies are required to assist councils to determine what types of ARCs are appropriate, how they should be operated, and how they will be funded.

All of the audited councils have developed feasibility studies that examined different ARC models to assist in decision-making on future developments and refurbishments. These were generally sound, although none of them forecasted future capital replacement costs. However, some councils included refurbishment costs in other council planning documents which were not included or referenced in the feasibility studies.

3.3.2 Balancing social and financial outcomes

The audited councils generally subsidise ARC running and maintenance costs. However, this practice needs to be considered in light of the social benefits of ARCs. Social benefits need to be considered by councils when determining the financial feasibility of ARCs. A common theme in council planning documents is the need to balance the social benefits of ARCs with their financial implications. While feasibility studies generally discuss social benefits, these have not been quantified.

SRV advised that it is willing to facilitate discussions with Local Government Victoria and Aquatics & Recreation Victoria to assist councils to better evaluate the social and community benefits of their ARCs. This should lead to more informed decision-making by councils about current and future ARC investments.

Figure 3A highlights some of the social issues associated with ARCs in the City of Greater Bendigo.

Figure 3A Social benefits—a case study

There are significant social benefits of councils providing recreational facilities, for example providing facilities in rural areas where it would otherwise be difficult for residents to access them.

There are six pools in Bendigo City, none of which are more than 7 kilometres apart. Greater Bendigo also has six rural pools, which are between 14 and 47 kilometres from Bendigo City. Raywood pool, a rural swimming pool, has relatively low attendance, which means council subsidises visits at a cost of \$78 per visit. However, across Greater Bendigo as a whole, the council subsidises each visit an average of \$21, with the subsidy for some pools as low as \$2.20, for example, Bendigo East Swimming Pool.

If a rural pool is closed, the lack of public transport means residents would have difficulty travelling to neighbouring towns to use other pools, and the social benefits of these rural pools may be lost. This would not be the case in Bendigo City, where there are public transport options and a high concentration of ARCs. Therefore, the council has planned to close nearby pools when the new Kangaroo Flat Leisure Centre is completed. While the Raywood ARC is expensive to operate, like other rural pools it may generate higher social benefits because of its isolation. Any decisions relating to its ongoing operation must balance financial considerations with the social benefits it provides.

Source: Victorian Auditor-General's Office.

Social benefits of aquatic recreation centres

Aquatics & Recreation Victoria commissioned a research project into the social and community benefits of ARCs in partnership with SRV in April 2014. The report highlighted the community benefits of ARCs as providing health and fitness services, community development and inclusion of all members of the community.

The research indicates that users derive an average value of \$48 in health benefits from a visit to their local ARCs. In addition, using six ARCs located in inner and outer Melbourne, and two ARCs in regional cities, the study calculated the net economic benefit of each dollar spent in ARCs (outside of capital expenditure) as returning \$7.60 for every dollar invested.

The research identifies the importance of ARCs' social and health benefits. However, councils need to balance these benefits with the costs associated with providing them.

3.3.3 Accessibility and affordability

Councils need to ensure that ARCs are affordable to their community. This must be balanced with the cost of running ARCs.

Figure 3B shows the fees and charges for ARCs at the audited councils and shows that rural councils are charging less than metropolitan councils. The councils set the fees and charges by assessing their community's ability to pay.

Figure 3B
Fees and charges 2015–16 (\$)

	Adult	Child / concession	Centre visit adult / concession	Family seasonal
Council/ARC	swim	swim	(aquatic and gym)	membership
Glen Eira City Council				
Carnegie Swim Centre	5.80	3.30 / 4.40	n/a	385.00
 Glen Eira Sports and Aquatic Centre 				
Peak	9.95	7.50	26.95 / 23.95	n/a
 Off peak 	7.95	6.30	n/a	n/a
City of Greater Bendigo	5.10	4.10	n/a	254.50
Mansfield Shire Council	4.20	2.80 / 3.20	n/a	154.00
Moreland City Council				
 Indoor pools 	5.70	3.70 / 4.30	21.85 / 16.40	n/a
 Outdoor pools 	5.10	3.30 / 3.90	n/a	314.65
South Gippsland Shire Cour	ncil			
 South Gippsland pools 	4.90	3.80	n/a	142.00
 South Gippsland Splash 	5.80	4.60	n/a	n/a

Figure 3B
Fees and charges 2015–16 (\$) – continued

Council/ARC	Adult swim	Child / concession swim	Centre visit adult / concession (aquatic and gym)	Family seasonal membership
City of Whittlesea				
Whittlesea Swim Centre	5.20	2.80	21.85 / 16.40	n/a
Thomastown Recreation and Aquatic Centre	5.70	4.60 / 4.50	19.50	n/a
Mill Park Leisure Centre	6.00	4.70 / 4.80	19.50	n/a

Note: Glen Eira Sports and Aquatic Centre off peak rates are applicable for 6am–4pm Monday to Friday and 7am–8.30am on Saturdays, Sundays and school holidays. There are no off peak rates on public holidays.

Note: Individual ARCs are included where there are price differences within councils. The City of Greater Bendigo offers concession season passes for \$197.45 and season passes to rural pools for \$120.

Source: Victorian Auditor-General's Office.

The cost of using each service varies across the audited councils. Fees for the Glen Eira Sports and Aquatic Centre (GESAC) are nearly double other facilities' and this plays a major part in GESAC's financial performance.

The capacity to levy higher fees and charges is not the same across councils. Glen Eira City Council is among the most socio-economic advantaged councils in Victoria, and it advised that it does not have a significant number of concession card holders visiting GESAC, unlike other audited councils. The capacity to charge higher fees was also included in the feasibility study of GESAC and is significantly above the industry average as outlined in the GESAC business plan 2014–15 to 2017–18. Other councils' capacity to meet operating costs may be more constrained by their inability to fully recoup costs through user fees.



GESAC - photograph courtesy of Glen Eira City Council.

3.4 Aquatic recreation centre operations

The effective operation of ARCs will improve the financial and social outcomes that are achieved by councils. This requires selecting the most appropriate operational model and regularly assessing if it is helping to maximise value for money.

There is no superior operating model that will suit all councils' requirements. This is due to the varying capacity and resources of councils, and the variety of facilities that they manage. Councils used feasibility studies and business plans to assess which operational model best suited their needs.

The VAGO survey of Victorian councils found in-house management by the council as the most common means of operation, as shown in Figure 3C.

Operational model

Directly managed by council

Not for profit facility manager

Private facility manager

Committees of management

Combination of various methods

Council owned entity

Other

0 10 20 30 40 50

Per cent of councils using this model

Figure 3C
ARC operational models by type

Source: Victorian Auditor-General's Office local government aquatic recreation centre survey report 2015.

3.4.1 Operating models

Choosing the most appropriate model helps a council operate ARCs in an efficient and effective manner. The chosen model should also support the council in achieving its strategic objectives from the provision of ARCs.

In-house management

Of the six audited councils, only Glen Eira City Council managed one of its facilities—GESAC—in house. According to the council, this choice was due to its ability to negotiate a new Enterprise Bargaining Agreement with incoming ARC employees, which enabled it to structure employee costs at a lower rate than normal council employment rates.

Other factors for the decision included having direct control over operations and responsibility for asset management. While GESAC uses this model, Glen Eira currently contracts out the management of its seasonal outdoor pool.

Contracting to a service provider

For large and small shires outsourcing is useful because it relieves pressure on staff, particularly in the case of Mansfield Shire Council and South Gippsland Shire Council, which each have a sole staff member responsible for recreation services.

South Gippsland Shire Council has a contract with an external service provider for five of its pools, and has a contract with a small local provider for one pool. The City of Whittlesea has one provider managing all of its pools, under two contracts. The City of Greater Bendigo has five of its pools under management with one private provider, and another leased to a community-based organisation.

Moreland City Council's six ARCs are contracted to a not-for-profit provider through a single contract, and operate under a single brand. Moreland City Council actively manages its contracted provider to assist it in achieving specific objectives, which are linked to the council's Municipal Health and Wellbeing Plan.

Other management models

The City of Greater Bendigo provides funding and support to committees of management—committees composed of community members that manage, maintain and improve public assets in their local community—for three pools, while the pools and their land are owned by the Department of Environment, Land, Water & Planning.

Appendix B provides further details of types of operating models used by audited councils.

3.5 Aquatic recreation centre sustainability

VAGO's 2013 *Organisational Sustainability of Small Councils* audit identified financial planning and asset management, as well as effective and efficient service delivery as important sustainability issues for local governments.

ARC operations are mostly subsidised by councils who are reliant on grants and other sources of income for capital replacement costs, refurbishments or new developments. Of the audited councils, the City of Whittlesea, Glen Eira City Council and Moreland City Council have operating surpluses for some of their ARCs.

3.5.1 Assessment of council aquatic recreation centre planning

On a stand-alone basis none of the audited councils' ARCs are fully sustainable in the long term. While most have planned and provided for future costs relating to ARCs, they remain reliant on grants for any significant future capital expenditure.

Figure 3D shows our assessment of the audited councils' facilities management planning. The assessment is based on:

- asset management (maintenance, repairs)—future maintenance and repairs are adequately provided for in budgeting
- long-term financial sustainability—all future costs including refurbishment and capital replacement would be financed by ARC profits and councils are not dependent on grants to develop or refurbish them
- operating sustainability—pools do not incur an operating loss
- market responsiveness—staff can make changes in response to demand
- core purpose—the council defines whether the facility is a community service or for profit (or both).

Figure 3D

Components in recreational facilities management planning by council

Factor	Glen Eira City Council	City of Greater Bendigo	Mansfield Shire Council	Moreland City Council	South Gippsland Shire Council	City of Whittlesea
Asset management (maintenance, repairs)	✓	√	✓	✓	✓	✓
Long-term financial sustainability	Partial	*	*	×	×	×
Operating sustainability	✓	×	×	×	×	✓
Market responsiveness	✓	✓	✓	✓	✓	✓
Core purpose	✓	✓	✓	✓	✓	✓

Source: Victorian Auditor-General's Office based on the Guidelines for the Sustainable Management of Community Recreation Facilities 2014.

3.5.2 Sport and Recreation Victoria grants

Grants contribute a significant proportion of ARC funding and have contributed more than one quarter of the total funding in the development of larger ARCs like GESAC.

SRV provides grants to councils for ARCs across several categories as detailed in Section 1.4.2 of this report.

SRV grant funding is provided on the basis of a sliding funding scale with inner metropolitan councils required to provide a higher proportion of matched funding than outer metropolitan, regional and rural councils:

- inner metropolitan—\$3:\$1 SRV
- outer metropolitan and regional—\$2:\$1 SRV
- rural—\$1:\$1 SRV

SRV grants sometimes make up a relatively small proportion of the overall cost of larger more modern ARCs. For example GESAC's total cost was approximately \$44 million, of which SRV's grant comprised \$2.5 million. However, GESAC also received a \$10 million grant from the federal government.

Non-financial support

An analysis of SRV activities and advice on different projects demonstrated that it provides differing levels of support to councils, largely on a case-by-case basis. SRV advised this relates to differing levels of capacity among councils, with some requiring more support and guidance than others. Such support includes providing assistance and advice through committee representation and general liaison with councils on issues such as site considerations, universal design—ensuring ARCs are accessible to people of all abilities—and encouraging participation.

Impact of new facilities

In an environment where the community is resistant to pool closures, councils must balance new developments and enhancements to existing ARCs with the impact these may have on the operations of their own and neighbouring council ARCs.

The status of GESAC as a large-scale facility, and its significantly higher than planned visitations, means it is likely it has placed an additional financial burden on neighbouring councils' ARCs, through reduced demand for their facilities. A neighbouring council to Glen Eira City Council has made an application to SRV for a planning grant to reassess its facilities in light of the development of GESAC and other large-scale neighbouring ARCs.

Regional planning support

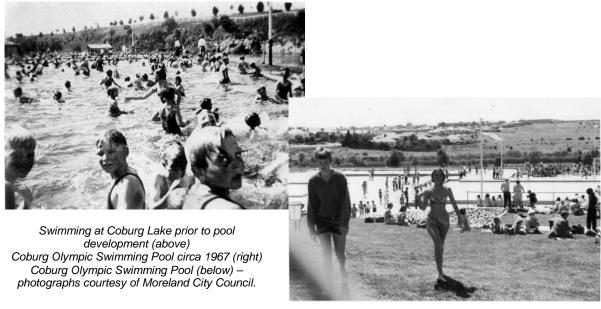
There is no coordinated regional planning for ARCs that provides information about current and future development needs or the plans that councils have for developing these facilities.

SRV's grants program supports councils to make better informed ARC investment decisions. This is both through assisting with future development via capital grants, and assisting councils to understand whether current facilities are meeting community needs, through planning grants. However, by supporting the development of new ARCs in areas which already have a large number of facilities, SRV grants may contribute to a shift of customers from the existing older ARCs to the new facilities in neighbouring councils, which affects the existing ARC's feasibility

While SRV provides grants for regional planning, limited use has been made of these. SRV has made some progress in this area through facilitating workshops in regional areas with the aim of improving collaboration between councils. Melbourne's eastern metropolitan councils are now in the final stages of developing a regional sports infrastructure plan which identifies the top regional infrastructure needs across seven municipalities.

This project is funded by SRV and largely driven by the desire of councils not to duplicate and cause negative financial impacts on each other's facilities. SRV also did some work with Gippsland councils which looked at the costs of providing aquatic facilities.

These examples suggest that although regional planning is being undertaken, there needs to be a more concentrated effort by SRV and councils to ensure the best outcomes are achieved. Councils prepare four-year forward looking *Strategic Resource Plans* to help achieve their objectives. These plans include infrastructure development and refurbishment plans. These plans should be shared with SRV and used to assist in identifying regional priorities and the delivery of ARCs. SRV should encourage more regional planning grant applications to enable facilities to be better planned. Taking into account regional needs could also be made a requirement for eligibility for capital grants.





Condition of existing aquatic facilities

Although new ARCs are being developed across Victoria, available data suggests that of the existing outdoor swimming pools in Victoria around half are more than 25 years old with some being over 50 years old. In response to our survey, over a quarter of the councils indicated that over the next four years they will conduct significant ARC upgrades at a cost of more than \$1 million. Without effective planning this could lead to significant future problems.

SRV's Geographic Information System database provides information on the number and location of facilities and some limited information on their age. While the data has limitations, it is the only source of statewide information available to assist councils with planning and developing ARCs. Availability of more complete statewide data on the number, age and condition of ARCs would assist in effective planning for the provision of aquatic facilities.

Despite the limitations of the data, it does highlight some significant areas of concern. Specifically, Figure 3E shows the age of 153 facilities is 26 years or more, which means that more than half of Victoria's ARCs are likely to be in need of repair or upgrading.

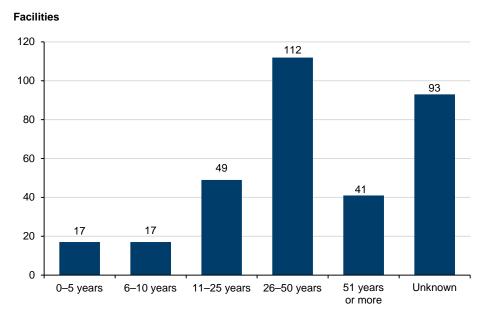


Figure 3E
Age of facilities in Victoria

Source: Victorian Auditor-General's Office based on Sport and Recreation Victoria data.

The database also provides information on the condition of existing facilities as shown in Figure 3F. Thirty-five swimming pools are ranked as poor or very poor and the condition of 84 facilities is not known.

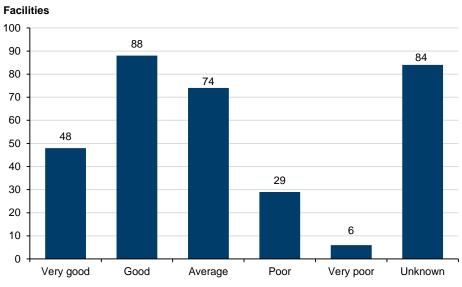


Figure 3F Condition of facilities

Source: Victorian Auditor-General's Office based on Sport and Recreation Victoria data.

Recommendations

- Sport and Recreation Victoria should assist councils to improve regional strategic planning relating to aquatic recreation centres so that developments and refurbishments are well coordinated and regional needs and impacts are appropriately considered.
- Sport and Recreation Victoria should require councils to demonstrate effective regional planning to be eligible for government grants.
- Sport and Recreation Victoria should, in conjunction with councils, update its
 recreational facilities database and drive the development of aquatic recreation
 centre regional plans for all of Victoria—which identify areas requiring
 refurbishment, replacement and the development of new aquatic recreation
 centres.

Appendix A.

Relevant guidelines and standards

Pool Operators Handbook

The Department of Health & Human Services (DHHS) regulates public aquatic facilities in Victoria. DHHS issued the *Pool Operators Handbook* in 2000 with support from Aquatic Recreation Victoria, and revised it in 2008. The handbook provides comprehensive details of the applicable legislation around aquatic facilities, including:

- Health (Infectious Diseases) Regulations 2001
- Occupational Health and Safety Act 2004
- Occupational Health and Safety Regulations 2007
- Dangerous Goods Act 1985
- Dangerous Goods (Storage and Handling) Regulations 2012.

Australian standards

There are several Australian standards relevant to aquatic facilities in Victoria:

- AS1470—1986 Health and safety at work—principles and practices
- AS1668.2—2012 The use of mechanical ventilation and air-conditioning in buildings: ventilation design for indoor air contaminant control
- AS1885.1—1990 Code of practice for recording and measuring work injury experience
- AS2610.1—2007 Spa pools—public spas
- AS/NZS2865—2009 Safe working in a confined space
- AS/NZS2927—2001 Storage and handling of liquefied chlorine gas
- AS/NZS3633—1989 Private swimming pools—water quality
- AS3780—2008 The storage and handling of corrosive substances
- AS3979—2006 Hydrotherapy pools.

Codes of practice and regulations

There are several relevant codes published by Health and Safety Victoria:

- First aid in the workplace
- Manual handling
- Noise
- Plant
- Storage and handling of dangerous goods.

Additional codes and regulations:

Hazchem.

Appendix B.

Aquatic recreation centre operational models

Operational models used by audited councils

Figure B1 shows the different types of operational models used at audited councils.

Figure B1
Operational models used in audited council aquatic recreation centres

Council	Operational model	Aquatic recreation centre
Glen Eira City Council	Contracted to not-for-profit provider	Carnegie Swim Centre
	In house management	 Glen Eira Sports and Aquatic Centre
City of Greater Bendigo	 Single contract with private provider 	 Bendigo Aquatic Centre Brennan Park Pool Heathcote Pool Kangaroo Flat Pool Marong Pool
	 Department of Environment, Land, Water & Planning— Direct committee of management 	 Elmore Pool Goornong Pool Raywood Pool
	 Committee of management 	White Hills Pool
	 Management agreement with local swimming club 	Bendigo East Pool
	 Leased to Golden Square Pool Inc. 	Golden Square Pool
	 Leased to local not-for-profit provider 	Peter Krenz Leisure Centre
Mansfield Shire Council	 Contracted to not-for-profit provider 	Mansfield Pool
Moreland City Council	 Single contract with not-for-profit provider 	 Brunswick Baths Coburg Leisure Centre Coburg Olympic Swimming Pool Fawkner Leisure Centre Oak Park Aquatic Centre Pascoe Vale Outdoor Pool

Figure B1
Operational models used in audited council aquatic recreation centres – continued

Council	Operational model	Aquatic recreation centre
South Gippsland Shire Council	Single contract with not-for-profit provider	 Foster Pool Korumburra Outdoor Pool Mirboo North Pool Poowong Pool South Gippsland SPLASH
	 Contracted to local private provider 	Toora Pool
City of Whittlesea	 Single contract with not-for-profit provider 	Mill Park Leisure CentreWhittlesea Swim Centre
	 Contracted to a different not-for-profit provider 	 Thomastown Recreation and Aquatic Centre

Note: The City of Greater Bendigo also has Long Gully Splash Park, a zero depth water play space managed by a non-council provider.

Note: The City of Greater Bendigo has no operational control over three of its facilities, and limited control over Peter Krenz Leisure Centre, because of an agreement the previous Shire of Eaglehawk made with the provider in exchange for a financial contribution to its construction. Source: Victorian Auditor-General's Office.

Appendix C.

Audit Act 1994 section 16 submissions and comments

Introduction

In accordance with section 16(3) of the *Audit Act 1994*, a copy of this report, or part of this report, was provided to the Local Government Victoria, Sport and Recreation Victoria, the Department of Premier & Cabinet, Glen Eira City Council, the City of Greater Bendigo, Mansfield Shire Council, Moreland City Council, South Gippsland Shire Council and the City of Whittlesea.

The submissions and comments provided are not subject to audit nor the evidentiary standards required to reach an audit conclusion. Responsibility for the accuracy, fairness and balance of those comments rests solely with the agency head.

Responses were received as follows:

Department of Environment, Land, Water & Planning on behalf	
of Local Government Victoria	36
Department of Health & Human Services on behalf	
of Sport and Recreation Victoria	38
Department of Premier & Cabinet	42
South Gippsland Shire Council	43

RESPONSE provided by the Secretary, Department of Environment, Land, Water and Planning



Dr Peter Frost Acting Auditor-General Level 24, 35 Collins Street MELBOURNE VIC 3000 RECEIVED

1 6 MAR 2016

VICTORIAN AUDITOR-GENERAL'S OFFICE

8 Nicholson Street East Melbourne, Victoria 3002 PO Box 500 East Melbourne, Victoria 8002 www.delwp.vic.gov.au

Ref: SEC011900

Dear Dr Frost Peter,

PERFORMANCE AUDIT REPORT LOCAL GOVERNMENT SERVICE DELIVERY - RECREATIONAL FACILITIES

Thank you for your letter dated 2 March 2016 inviting submissions for inclusion in the final report for the performance audit *Local Government Service Delivery: Recreational Facilities*.

The Department of Environment, Land, Water and Planning (DELWP) welcomes the report and notes the Auditor-General's first recommendation that councils should improve Aquatic Recreational Centre (ARC) monitoring, reporting and evaluation activities so that they can demonstrate the achievement of council objectives and outcomes.

The department supports measures for councils to better understand how they are delivering on stated objectives and outcomes. This is in line with the government's local government reform directions that seek to support and promote better performance reporting to local government through the implementation of the Local Government Performance and Reporting Framework and establishment of the *Know Your Council* website.

In encouraging enhanced performance reporting, DELWP is cognisant of the reporting burden on councils. DEWLP is also aware of the advantages of developing performance indicators that enable councils to demonstrate their contribution to community wellbeing.

In responding to this audit performance report, it is important that councils:

- consider the practicalities associated with achieving an appropriate level of evaluation including the availability of data and the cost associated with undertaking evaluation; and
- ensure that any evaluation undertaken is consistent with Best Value principles.

The department notes the third recommendation of the audit performance report proposes that Sport and Recreation Victoria (SRV) and councils improve regional strategic planning regarding ARCs so that developments and refurbishments are well-coordinated and regional needs and impacts are appropriately considered.



RESPONSE provided by the Secretary, Department of Environment, Land, Water and Planning – continued

Through Local Government Victoria, DELWP will encourage councils to share their Strategic Resource Plans with SRV, as this will assist in identifying regional priorities and the delivery of ARCs.

Thank you for raising this matter with me.

Yours sincerely

Adam Fennessy Secretary

1 6 MAR 2016



RESPONSE provided by the Secretary, Department of Health & Human Services



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Dr Peter Frost Acting Auditor-General Victorian Auditor-General's Office Level 24 / 35 Collins Street MELBOURNE VIC 3000

Dear Dr Frost

VAGO Performance Audit Report Local Government Service Delivery: Recreational Facilities

Thank you for your letter dated 2 March 2016, providing a copy of the VAGO Performance Audit Report Local Government Service Delivery: Recreational Facilities.

The Department of Health and Human Services acknowledges the important role that aquatic recreational facilities play in the provision of services to support the health and wellbeing of Victorians and is supportive of improving their capacity to delivery positive outcomes.

The Department of Health and Human Services, through its Sport and Recreation programs, has a long and proud history of working with communities to develop high quality, accessible community sport and recreation infrastructure.

Following a detailed review of the Report, the Department of Health and Human Services accepts and supports all the recommendations made to the department. These recommendations encourage the Department to build upon and strengthen well established investment planning and evaluation processes, namely through the Community Sports Infrastructure Fund.

The department notes that primary responsibility for the planning, development, management, maintenance and replacement of aquatic recreational facilities resides with local government.

The department will work closely with partners such as Local Government Victoria and Aquatics and Recreation Victoria to add capacity to the aquatics industry and improve the delivery of aquatic recreation facilities and services through local connections. An implementation plan is attached outlining the key actions and timelines to implement these recommendations.



RESPONSE provided by the Secretary, Department of Health & Human Services – continued

The Department acknowledges the report and looks forward to reporting back to VAGO on the implementation of the relevant recommendations.

Yours sincerely

Kym Peake Secretary



RESPONSE provided by the Secretary, Department of Health & Human Services - continued

VAGO Performance Audit Report Local Government Service Delivery: Recreational Facilities

Implementation Plan - Sport and Recreation Victoria - March 2016

Report Recommendation	Accepted/Not Accepted	Department's Proposed Actions	Completion Date/Timeline
Sport and Recreation Victoria should	Accepted.	Sport and Recreation Victoria will	A new Outcomes Reporting
improve its monitoring, reporting		enhance the depth, quality and	framework to be established in time
and evaluation of aquatic recreation		consistency of information collected	for implementation in the
centre related grants to provide		through the existing Outcomes	2017/2018 Community Sports
assurance these are achieving their		Reporting process, currently in place	Infrastructure Fund.
intended outcomes.		for all projects funded from the	
		Community Sports Infrastructure	
		Fund. This reporting should be	
		consistent with information	
		collected by local councils in	
		reference to Recommendation 1.	
Sport and Recreation Victoria should	Accepted.	Sport and Recreation Victoria will	To be promoted in conjunction with
assist councils to improve regional		promote and stimulate co-operation	the release of the 2017/2018
strategic planning relating to aquatic		among local councils to identify	Community Sports Infrastructure
recreation centres so that		strategic regional planning	Fund.
developments and refurbishments		opportunities for aquatic facilities as	
are well co-ordinated and regional		a priority. Local councils will be	
needs and impacts are appropriately		encouraged to consider planning for	
considered.		a suite of significant facilities with	
		aquatic facilities being a large	
		consideration. This builds upon the	
		existing regional planning funding	
		provided by Sport and Recreation	
		Victoria.	
Sport and Recreation Victoria should	Accepted.	Through the Community Sports	To be promoted in conjunction with
require councils to demonstrate		Infrastructure Fund, Sport and	the release of the 2017/2018

RESPONSE provided by the Secretary, Department of Health & Human Services – continued

Community Sports Infrastructure Fund.	To be promoted in conjunction with the release of the 2017/2018 Community Sports Infrastructure Fund.
Recreation Victoria will ensure that regional planning considerations are part of all projects being submitted by councils to the Better Pools or Small Aquatic Projects category. This builds upon the existing practice where councils are required to identify inter-municipal links for their projects.	Sport and Recreation Victoria will ensure that all councils have access to the recreational facilities database to update their list of facilities. This information will provide valuable input into proposed regional aquatic plans across Victoria, which is subject of the above recommendation.
	Accepted.
effective regional planning to be eligible for government grants.	Sport and Recreation Victoria should, in conjunction with councils, update its recreational facilities database and drive the development of aquatic recreation centre regional plans for all of Victoria – which identify areas requiring refurbishment, replacement, and the development of new aquatic recreation centres.

RESPONSE provided by the Secretary, Department of Premier & Cabinet



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1 Treasury Place Melbourne, Victoria 3002 Australia Telephone: 03 9651 5111 dpc.vic.gov.au

D16/34766

Dear Dr Frost PW

Thank you for providing the proposed performance audit report *Local Government Service Delivery: Recreational Facilities* in accordance with section 16(3) of the *Audit Act* 1994.

I note that audited agencies have the opportunity to respond to the proposed report.

Yours sincerely

Chris Eccles Secretary

1 3 MAR 2016



RESPONSE provided by the Mayor, South Gippsland Shire Council

Our ref: D2717116 Your ref: 31939

16 March 2016

RECEIVED

1 6 MAR 2016

VICTORIAN
AUDITOR-GENERAL'S

OFFICE

1 72



Dr Peter Frost Acting Auditor-General Victorian Auditor – General's Office Level 24, 35 Collins Street Melbourne VIC 3000

Dear Dr Frost

Local Government Service Delivery Audit of Recreation Facilities

I refer to the above matter and to your letter of 2 March 2016.

South Gippsland Shire Council has valued the opportunity to participate in the recent Victorian Auditor Generals audit of recreational facilities (aquatic) within our municipality.

The current and future provision of aquatic facilities has been subject to significant planning, consultation and consideration within our community over the past decade. Council has made every attempt to accurately determine the future financial sustainability of these facilities and engaged extensively with our community to develop an agreed vision for the future.

The audit report recommends, amongst other things, that "Councils should improve aquatic recreation center monitoring, reporting and evaluating activities so that they can demonstrate the achievement of Council objectives and outcomes."

This recommendation is relevant to South Gippsland Shire. Council's response to this recommendation - together with our proposed action and timeframe is as follows:

Action Item 1

Council will identify and include a strategic statement in the next revision of its Municipal Public Health & Wellbeing Plan (currently under review) to form a basis for the evaluation of performance data and feedback from our aquatic facilities.

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RESPONSE provided by the Mayor, South Gippsland Shire Council - continued



Timeframe

We have already commenced work in this space and aim to have a revised Municipal Public Health & Wellbeing Plan by October 2017 in accordance with our strategy review timelines.

Action Item 2

To improve connectivity with the outcomes of Council's revised Municipal Public Health and Wellbeing Plan, Council will negotiate an amendment to the deliverables in the existing aquatic facilities contract that relates to service provision (and ensure any new contracts entered into for South Gippsland's aquatic facilities include the amendment).

Timeframe

The contract will be amended / varied to be in line with the Municipal Public Health & Wellbeing Plan. This will provide sufficient time for implementation of the revised Municipal Public Health and Wellbeing Plan and the capturing and evaluation of performance data from the summer season.

South Gippsland Shire Council is pleased that the audit identified that we have engaged effectively with our community and have a sound understanding of the future needs of our aquatic facilities. This supports the significant commitment made to planning for these facilities during the terms of the current and former Councils.

Yours sincerely

Councillor Bob Newton

Mayor

Auditor-General's reports

Reports tabled during 2015–16

Report title	Date tabled
Follow up of Collections Management in Cultural Agencies (2015–16:1)	August 2015
Follow up of Managing Major Project (2015–16:2)	August 2015
Follow up of Management of Staff Occupational Health and Safety in Public Schools (2015–16:3)	August 2015
Biosecurity: Livestock (2015–16:4)	August 2015
Applying the High Value High Risk Process to Unsolicited Proposals (2015–16:5)	August 2015
Unconventional Gas: Managing Risks and Impacts (2015–16:6)	August 2015
Regional Growth Fund: Outcomes and Learnings (2015–16:7)	September 2015
Realising the Benefits of Smart Meters (2015–16:8)	September 2015
Delivering Services to Citizens and Consumers via Devices of Personal Choice: Phase 2 (2015–16:9)	October 2015
Financial Systems Controls Report: Information Technology 2014–15 (2015–16:10)	October 2015
Department of Education and Training: Strategic Planning (2015–16:11)	October 2015
Public Hospitals: 2014–15 Audit Snapshot (2015–16:12)	November 2015
Auditor General's Report on the Annual Financial Report of the State of Victoria, 2014–15 (2015–16:13)	November 2015
Local Government: 2014–15 Audit Snapshot (2015–16:14)	November 2015
Responses to Performance Audit Recommendations 2012–13 and 2013–14 (2015–16:15)	December 2015
East West Link Project (2015–16:16)	December 2015
Portfolio Departments and Associated Entities: 2014–15 Audit Snapshot (2015–16:17)	December 2015
Water Entities: 2014–15 Audit Snapshot (2015–16:18)	December 2015
Implementing the Gifts, Benefits and Hospitality Framework (2015–16:19)	December 2015
Access to Public Sector Information (2015–16:20)	December 2015
Administration of Parole (2015–16:21)	February 2016
Hospital Performance: Length of Stay (2015–16:22)	February 2016
Public Safety on Victoria's Train System (2015–16:23)	February 2016

Victorian Electoral Commission (2015–16:24)	February 2016
Grants to Non-Government Schools (2015–16:25)	March 2016
Digital Dashboard: Status Review of ICT Projects and Initiatives – Phase 2 (2015–16:26)	March 2016
Patient Safety in Victorian Public Hospitals (2015–16: 27)	March 2016
Bullying and Harassment in the Health Sector (2015–16:28)	March 2016

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