



NAPIER PEOPLE AND PLACES COMMITTEE

Open Agenda Supplementary Items

Meeting Date: Tuesday 26 July 2022

Time: 9.30am

Venue: Ocean Suite
East Pier
50 Nelson Quay
Ahuriri
Napier

Livestreamed via Council's Facebook site

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AGENDA ITEMS

1. MARINE PARADE POOLS: FUTURE DELIVERY MODEL

<i>Type of Report:</i>	Operational and Procedural
<i>Legal Reference:</i>	N/A
<i>Document ID:</i>	1481925
<i>Reporting Officer/s & Unit:</i>	Glenn Lucas, Manager Sport & Recreation Darran Gillies, Acting Executive Director Community Services

1.1 Purpose of Report

The purpose of this report is to approve the operational model for Marine Parade Pools after the completion of the current outsourced contract at 31 January 2022.

Officer's Recommendation

The Napier People and Places Committee:

- a. Approve the operations of Marine Parade Pools to be transitioned to a council-run facility from 1 February 2023.

1.2 Background Summary

The network of council-owned aquatic facilities in Napier consists of two facilities; Napier Aquatic Centre and Marine Parade Pools (trading under Ocean Spa). These facilities are fundamentally different from each other, but together play a complementary role within Napier's aquatic network.

The Napier Aquatic Centre is the community aquatic facility, providing for a range of aquatic sports and leisure activities.

Marine Parade Pools is a near 20-year old outdoor 'spa' and hot pool type facility. Marine Parade Pools caters for a different customer experience, providing relaxation and wellbeing at a prime location overlooking the Pacific Ocean. It is a well-known tourist destination.

The end of the existing management agreement on 31 January 2023 provides an opportunity for Council to assess the operating model it wants to implement from 1 February 2023. The Aquatic Strategic Framework (adopted by Council in August 2021) details the contribution that aquatics provision makes to Council vision and objectives, and as such provides the basis for the criteria for assessing potential operational models.

The potential business models

Thrive Spaces and Places have been engaged by Council to assist with the development of the operating model. On 5 April 2022, Officers conducted a workshop with Elected

Members to discuss this assessment along with a draft recommendation. This paper seeks to formalise the recommended operating model for Council approval.

Four options were initially considered for the operations of Marine Parade Pools:

- Inhouse delivery – facility staffed, managed and supported by NCC employees
- Outsourced model delivery – contracting an external party to manage and operate the facility
- Shared Services Model with other Territorial Authorities – working with other councils to coordinate and combine aquatic and recreation operation and management.
- Partnership – partnering with an external partner to manage and operate the facility

Methodology

In developing and assessing these potential delivery models, consultation included the following parties:

- Relevant Council staff
- Sport Hawkes Bay
- Hastings District Council
- Tourism Hawke's Bay
- Auckland Council (as a council that currently employs both in-house and outsourced delivery models)

Best practice guidelines were also reviewed as part of the process. These were:

- Sport NZ – Facility Management Choices in New Zealand
- Sport England – Leisure Management Options

A criteria for the assessment was developed based on the Napier City Council Aquatic Network Strategic Framework Critical Success Factors, and including wider strategic alignment with other council strategic objectives.

A 1-5 scoring matrix was applied to evaluate the different options against the criteria.

Assessment findings

Criteria	In house	Outsourced	Outsourced+
Pride and connection	12	7	10
Value for money	9	12	12
Social cohesion	12	9	9
Balanced outcomes	10	9	9
Water safety	10	9	9

Wider strategic alignment	14	8	8
TOTAL	67	54	57

Key Points

The in-house delivery model was assessed to:

- Provide more control of identity, narrative and branding
- Provide better control over the asset management,
- Provide greater control over delivery of social cohesion and other community benefits,
- Enhance the ability to adapt to changing needs of the community
- Provide greater ability to link into to internal council skills and resources and partnerships with other facilities.
- Enhance the ability to deliver programmes and initiatives outside of the built facility
- Enable the adoption of a more regional strategy and approach to facility provision
- Provide greater ability to connect with local tourism organisations to maximise the economic value to the region
- Ensure that the financial benefit of the operations goes to council to offset the ratepayer impact of aquatics provision across the two council facilities

The outsourced model was assessed to

- Potentially provide stronger dedicated support functions through the scale that the major outsourced contractors in New Zealand have to support multi facilities around the country
- Potentially reduce the financial risk, as outsourced contractor can be more focused on the financials, be that in reducing cost and or driving revenue. This is seen as a disadvantage, as that focus on commercial results can come at the cost of delivery of social outcomes

When considering all elements it is clear that an in-house operational model across Marine Parade Pools and the Napier Aquatic Centre is the recommended operational model to give council the best opportunity to deliver on its strategic objectives.

Additional considerations

Two additional factors exist that have not been included as part of the assessment but further reinforce the recommendation to take the facility in-house.

The first is that the facility itself is 20-years old. Aquatic facilities typically require upgrades or refreshes at this stage of life to ensure reliability of plant and key assets, undertake level of service upgrades and assess any additional community needs that could be met by additions or changes to the asset or the services provided.

In-house over at least the short to medium term provides Council with the ability to perform the required reviews and assessments to add to the existing information of facility condition, identify the improvements required, and action these improvements.

The second factor is the advantage that a short to medium term of operating in-house will provide in terms of performance information. A period of operating in-house will enable a complete picture of financial performance, visitation and membership and the opportunities to improve these over time.

Should Council wish to explore alternative delivery models, then this information will enable a solid basis for the negotiation of commercial terms to maximise the financial benefits from potential commercial arrangements.

Recommendation

Following the review of the different operating model options for the NCC Aquatics Network, the recommended option that best supports council strategy, objectives and the current life and condition of the asset is an in-house operated model.

The next steps to implement the preferred option include:

- Transition planning across all relevant work streams
- Complete arrangements for existing the contract with the current provider
- Complete the operational transition for 1 February 2023
- Undertaking parallel pieces of work in developing a cultural narrative and identifying and prioritising physical asset upgrades

1.3 Issues

None

1.4 Significance and Engagement

During the pre-election period, Council business must continue however Council should also carefully consider the impact policy decisions or significant changes would have on the incoming Council.

As there is no change to levels of service, and while there is a change in how the service is delivered, this is a continuation of an existing activity, so this decision is not classed as 'significant'.

1.5 Implications

Financial

Budget is available in the LTP for 2022/23 and 2023/24 for transition activities, garnering further asset condition information and prioritised capital upgrades.

The majority of the assets at Ocean spa are maintained and funded by Council. This includes pool lining, plant and mechanical and building and surrounds. As the gym and café were part of the commercial arrangement with the existing provider, the fit-out of these areas is owned by the management company. As part of the Long Term Plan, Council have budgeted for the following planned works:

- Upgrade the changing rooms
- Replacing the sauna and steam room
- Replacing the boiler
- Implementing the transition

The Management Agreement provides for a revaluation of assets at the end of the contract for assets Council may still wish to continue with. This includes for example, the café plant and equipment. Council will undertake this through an independent valuer.

Social & Policy

Not applicable

Risk

- Current Marine Parade Pools staff are lost during the operational transition, however, the mitigation is to work with the existing contractor, with good communication to staff about how the transition will be managed
- The transition isn't smooth from a customer perspective noting that Council does not intend to make any significant changes to the operating model in the foreseeable future.
- Unforeseen transition costs are identified during the transition
- There may be a requirement to temporarily close the facility to undertake system and process implementation requirements e.g. access systems and booking systems in line with our existing aquatic facilities, although further work will be programmed in to mitigate this as much as possible.

1.6 Options

The options available to Council are as follows:

- a. Approve the recommendation to transition Marine Parade Pools to an inhouse operation from 1 February 2023
- b. Do not approve the recommendation and direct officers to consider an alternative option

1.7 Development of Preferred Option

Approve the recommendation to transition Marine Parade Pools to an inhouse operation from 1 February 2023

1.8 Attachments

Nil