

Title: Olympic Pool Business Case
Section: Community & Recreation
Prepared by: Andrew White (Community & Recreation Manager)
Meeting Date: 18 May 2017

Legal Financial Significance = Medium

Report to COUNCIL for decision

SUMMARY

The purpose of this report is to seek a decision from Council to adopt the Olympic Pool Complex Redevelopment Business Case as the basis for future development planning for the Olympic Pool Complex.

The Olympic Pool Complex was built in 1974, largely through community fundraising efforts. Since then, it has been expanded with new facilities. Little major maintenance work on existing facilities has been undertaken during that time however, and consequently the complex is in an obvious state of decline. Asset Condition Assessments undertaken since 2013 indicate that key assets are close to end of service life. Visitation to the complex has also declined in recent years, which is likely to be due to at least partly the ongoing decline in the standard of its major visitor facilities.

A Business Case to assess options for redeveloping the Olympic Pool Complex was completed in March 2017. The Business Case proposes that \$14-\$17 million is invested to undertake major renewals and upgrades to the Olympic Pool Complex over a 3-5 year period in the 2018-2028 Long Term Plan, to ensure that it is fit-for-purpose and meets the needs of the district over the next 30 years. The Business Case has been prepared using the New Zealand Treasury approved Better Business Case methodology, which is typically adopted for central government (and increasingly local government) capital investment decision-making.

Should Council adopt the Business Case, it is anticipated that a redevelopment of the Olympic Pool will be consulted on in the 2018-2028 Long Term Plan, based on a Concept Plan developed in the 2017/18 financial year, and that the first stage of redevelopment work would be implemented in 2019 and 2020.

The decisions or matters in this report are considered to be of **Medium** significance in accordance with the Council's Significance and Engagement Policy.

RECOMMENDATIONS

That the Council:

1. Notes the contents of this report.
2. Adopts the 2017 Olympic Pool Redevelopment Business Case.
3. Authorises staff to prepare a concept design for the Olympic Pool Redevelopment Project, with input from the community and key stakeholders.
4. Agrees to consult with the community about the proposed Olympic Pool Redevelopment Project in the 2018-2028 Long Term Plan preparation process.

Authorised by:



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Keywords: Olympic pool, Gisborne pool, Olympic pool redevelopment, Olympic pool business case, concept designs for Olympic pool, 2018-2028 long term plan, 2018-2028 ltp

BACKGROUND

1. The Olympic Swimming Pool is Gisborne's leading and largest recreational and sporting aquatic complex, and services the wider Tairāwhiti region. It was built in 1974, funded largely through community efforts, and it is owned and run by the Gisborne District Council for the benefit of the region.
2. Like many other New Zealand public pools of the era, it was originally designed as an outdoor facility that was used during the summer season and shut down over winter. The primary function of the pool was to provide a training and competition facility for aquatic sports, with a secondary use as a recreational facility. Three pools were initially constructed, and as demand for recreation has grown, new facilities such as a hydro-slide, barbecue areas and a hydrotherapy pool have been added. To extend the use of the pool outside the summer season, a tent-like cover was constructed in 1995. The plant and equipment necessary to support the pools has been gradually upgraded over the decades.
3. However, the Olympic Pool facility is beginning to show its age, and there are a number of issues facing the complex:
 - There is a growing list of major maintenance issues that will need to be addressed. These include a needed refurbishment of the hydro-slide, resurfacing of some pools, replacement of tiled edges and the likely end of the economic life for the main pool roofing system in the coming decade.
 - The changing demand for aquatic recreational facilities – and the changing expectation of pool patrons – means that the configuration of the complex is no longer ideal. Some key facilities such as changing rooms are substandard and have poor quality access to the pool, and the demand for some aspects of the pool complex – such as winter swimming and hydrotherapy – exceed available supply.
 - Demand also exists for services that the Olympic Pool can't provide in its current form, such as learn to swim classes. Learning to swim is an important skill, and there is poor provision at the region's leading aquatic facility.
4. The redevelopment of the pool has been incorporated into Long Term Plans (LTP) since 2006. Over time the scope for the redevelopment has changed, as has the proposed budget.
5. The 2006-16 LTP recognised there are a number of limitations with the current pool including the age of the asset, its condition and the impact on repair and maintenance costs, the inability to meet community expectations due to closure of pools in winter, and the shortfall of facilities. Council allowed \$15m for Year 9 of the Plan (2014/15) for the redevelopment of the Olympic Pool. The new complex would satisfy the new trends for aquatic recreation as a year-round activity and cater for swimming, leisure, health, learning and play. The cost would be 100% grant funded.
6. Three years later, the 2009–19 LTP increased the scope of the project to include a recreation centre, with the proposed cost climbing to \$23.6m. A stadium was also mooted at an extra cost of \$37m.
7. By the 2012–22 LTP the stadium had been dropped as it was deemed to be too expensive. There was still support for the replacement or redevelopment of the pool and a total budget of \$30.19m was included for Years 2018/2019/2020; the intended source of the funding was about 33% in loans and 66% from grants.

8. In the 2016–26 LTP the budget (and subsequently the scope) of the project was reduced. Council acknowledged that the pool is in need of a make-over with parts of the facility having 5-10 years of economic life before they need replacing. Upgrades and repairs were considered together at an estimated cost of \$10.5m to be finalised in 2018/19. The LTP specified that the project is to be 100% grant funded.
9. During 2016 and early 2017, a Business Case, using the New Zealand Treasury approved Better Business Case methodology, has been developed to assist Council and the community to select the best option for capital expenditure on the Olympic Pool complex to meet the community's needs. The Better Business Case process is typically adopted for central government (and increasingly local government) capital investment decision-making.

DISCUSSION and OPTIONS

10. The Better Business Case assesses proposals for change on four levels, with the intention that the final recommendations are based on a sound and comprehensive understanding of the proposal and possibilities, providing Council, community and prospective funders with the confidence to choose a course of action.

Strategic Case: The Olympic Pool Complex is important for Tairāwhiti

11. The strategic case proposes three investment outcomes (listed below) that should be achieved from an appropriate redevelopment of the Olympic Pool Complex. There are a number of benefits that accrue to the wider community from the investment outcomes. These are related to the costs of poor health and early deaths, which carry very high costs for the community, the economy and affected whanau, along with the benefits that come from greater community cohesion.

- **Improved user experience.** While there has been a concerted programme of maintenance and upgrading over the years, many of the swimming and recreational facilities are in need of significant improvement to bring them up to the standard expected of a regional aquatic centre. Issues are widespread across the complex, ranging from leaks and cosmetic issues with the hydroslide to outdated changing room facilities and the age and condition of the pool surfaces and surrounds.

The improvement sought is therefore the ability for users to enjoy an aquatic facility that meets the standards expected by the Tairāwhiti community.

- **Improved community participation.** There are three limitations in the community achieving greater use of the Olympic Pool:
 - i. The recreational swimming season is limited in duration by the seasons, as the main pool only has partial weather protection and all other facilities are outdoors.
 - ii. Users are deterred by the relative unattractiveness of the facilities in the winter months, due to the partial weather protection of the main pool and the need to transition outdoors between the changing rooms and the pool itself.
 - iii. There are constraints on the number of people who can simultaneously use the facilities on busy summer days, which is currently limited to around 1,500 visitors.
 - iv. There are also functional limitations – ranging from outdated changing room facilities to the age and condition of the pool surfaces and surrounds – that are acting as disincentives for users.

The improvement sought is therefore the ability to allow more people to enjoy recreational, fitness and sporting activities at the Olympic Pool complex by extending the swimming season, increasing the number of people who can enjoy the complex during peak periods, and reducing or removing the disincentives for using the facilities.

- **Improved learn to swim and water confidence outcomes.** Ensuring the people of Tairāwhiti have the ability and confidence to enjoy the water is a significant challenge. The Olympic Pool complex is currently not well configured to teach children to swim and to gain water confidence, and there is a shortfall of suitable facilities as school pools in the region gradually close.

The improvement sought is therefore the provision of a suitable learn to swim facility at the Olympic Pool complex that can provide the infrastructure necessary for more Tairāwhiti residents to gain swimming skills and water confidence, to aid in the reduction of drowning injuries and deaths in the region.

Economic Case: Choosing the preferred option

- The option dimensions were developed during a workshop session with senior Council staff. Previous planning work for redeveloping the Olympic Pool Complex carried out during the last decade was considered in the workshop, and assisted officers to determine the option dimensions. As a result of these deliberations, five option dimensions were identified. The scope of the solutions, ranging from "do nothing" to an aspirational aquatic centre.
- The service solutions, ranging from altering the current complex through to relocating it to a different location.
- The service delivery options, ranging from the Council owning and operating the entire facility through to leasing key elements of the complex to the private sector.
- The implementation options, ranging from staged upgrades and construction over a period of time to full closure and reconstruction of the complex.
- The funding options, from being fully funded by the Council through to fully funded by the private sector.

These dimensions provide the underlying structure for consideration of options available to Council, and the preferred options recommended to Council in the Business Case. The Business Case effectively starts the process for community engagement and design work, with regular subsequent opportunities for Council to guide the development as it is refined.

12. When assessed against the Investment Outcomes and six Critical Success Factor (strategic fit, value for money, supplier capability, affordability, achievability and regulatory), a preferred option was identified. Based on the analysis, the preferred option for the Olympic Pool complex is to:
 - Conduct a major upgrade of the existing Olympic Pool site in a staged multi-year project, funded from a mix of Council, Trust and community fundraising sources, aimed at delivering improved user experience, better participation and improved water safety and confidence outcomes.

- The Council will operate the complex until the completion of the project, at which stage interest can be sought for the operation of the retail areas and the learn-to-swim school. On the basis of the responses, Council can then make a decision about the right mix of public sector, not-for-profit and private sector service provision at the Olympic Pool complex.
13. This approach is likely to deliver the best outcomes for the Tairāwhiti community, whilst meeting the critical success factors of affordability and achievability.
 14. The Sport New Zealand Facilities Guide has been used to develop a rough order cost (ROC) for redeveloping the Olympic Pool Complex, based on a regional facility servicing a population of 10,000 to 50,000 people. It is considered that the ROC capital layout would be around \$15.953m, and the ROC annual operational cost would be around \$1.664m. ROC refers to pre-estimate “best guess” costs, based on minimal design information. Consequently, they have a high margin of error. Fortunately, the Sport New Zealand cost assessment is based on real examples of similar developments, so provides a reasonable level of certainty that the ROC will not significantly vary from the final project cost.

Financial Case: Paying for the investment and operation

15. Currently, the Olympic Pool Complex redevelopment, while included and valued as a major project in the 2016-2026 LTP, is unfunded; with the stated intention that it will be 100% grant funded.
16. Advice from funding specialists indicates that Council will need to invest around a third of the required capital funding for the project. Other potential funding sources include:
 - Central government funding e.g. Lotteries funding.
 - Trust funding (Community/Philanthropic, Private and Gaming).
 - Corporate Sponsorship.
 - Partners e.g. Comet Swimming Club.
 - Community fundraising.
17. A Revenue Generation Strategy would be prepared to set out a comprehensive and strategic plan for maximising funds for the development and operation of the facility.

Commercial and Management Case: Procurement and Project Management

18. The Business Case recommends using government's approved procurement framework, as this is an efficient method for selecting and appointing suitable suppliers. The framework is consistent with Council's Procurement Policy and Guidelines.
19. The project would be managed using the project management methodology used by Council for all major projects. The project will involve four stages of work:
 - Project initiation
 - Project planning
 - Project execution
 - Project completion and evaluation

ASSESSMENT OF SIGNIFICANCE

Criteria	This Report	The Process Overall
The effects on all or a large part of the Gisborne district	Low	Medium
The effects on individuals or specific communities	Low	Medium
The level or history of public interest in the matter or issue	Medium	Medium
Inconsistency with Council's current strategy and policy	Low	Low
Impacts on Council's delivery of its Financial Strategy and Long Term Plan.	Low	High

20. This report is part of a process to arrive at a decision that will/may be of **medium** level in accordance with the Council's Significance and Engagement Policy.
21. By adopting the Olympic Pool Complex Business Case, Council will initiate the process to develop designs and ultimately redevelop the Olympic Pool Complex through the 2018-2028 LTP. While this decision has no significant immediate effect on Council's Financial Strategy and LTP, it is likely to require significant investment by Council and other funders over the next five years, and effect an intensive consultation process with the Tairāwhiti community and key stakeholders and partners.

COMMUNITY ENGAGEMENT

22. Council has consulted on proposals to develop the Olympic Pool Complex in its LTP since 2006. During this time, the scope of the redevelopment has changed several times.
23. It is proposed that Council will involve community and stakeholders in the concept development, and that the project will be a major consultation item in the 2018-2028 LTP, if Council adopts the business case.

CONSIDERATIONS

Financial/Budget

24. The cost of developing a high level concept for community consultation in the 2018-2028 LTP is not currently funded. Depending on the approach Council decides to take, this work could be done for under \$50,000 (request for proposal to prepare a concept design) or up to \$200,000 (competitive design process similar to that undertaken for the Council administration building and Lawson Field Theatre original concept development, where several designers were paid to provide concepts for Council consideration).
25. Budget for concept plan development will be sought through the appropriate Council process when the procurement approach is decided.

Legal

26. There are no legal implications arising from the recommendations in this report.

POLICY and PLANNING IMPLICATIONS

27. The recommendations in this report are consistent with Council's current strategy and are anticipated in the 2015-2025 LTP.
28. The Community Facilities Strategy, currently being prepared, may identify outcomes that are not fully accommodated in the Business Case. These will need to be tested as they arise to ensure the two processes are congruent. Any recommendations arising from the Strategy can be incorporated as that is due for completion mid this year.

RISKS

29. No specific risks are currently identified for this project.

NEXT STEPS

Date	Action/Milestone	Comments
2017/18	Develop high level concept design for Olympic Pool complex redevelopment, for consultation through the 2018-2028 LTP.	

APPENDICES

Appendix 1: Olympic Pool Redevelopment Business Case