

STAGE 5





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Well developed operations and management practices of sport and recreation facilities are of critical importance for management, operational planning and financial planning processes, but are often overlooked by facility operators who have little or no experience in maintaining sport and recreation assets.

Any community sport and recreation facility is a significant investment in infrastructure, and good management practices in terms of the asset are essential to ensure the longevity of the investment.

This section outlines the process for securing the right operators and management arrangements and contains key information about operating the reference facility, including indicative costs. For additional information and detail consider the following Sport NZ and NZRA resources:

Facility Management Manual www.sportnz.org.nz/facilitymanagementmanual

Aquatic Facility Guidelines www.sportnz.org.nz/aquaticfacilityguidelines

Procurement of Operators

The procurement of an operator is outlined below and covers:

- The procurement process
- Contracting type
- Selection of operator
- Specific contract mechanisms
- Key requirements and documents
- Evaluation criteria (selection criteria and weightings).

Operator Procurement Process

Typically, local government will operate, maintain and service the facilities, but there may be some cases where this is not applicable. In these cases the procurement of an operator is required. Operator procurement follows a similar process to the contractor procurement process in Section 4.

Contracting Type

The procurement strategy will also outline the preferred operational contracting type. The preferred contracting type establishes the framework for the life-cycle delivery of the project. There are several delivery models available, which represent varying degrees of complexity, risk, innovation, client involvement and programme influence. This is summarised for operations and maintenance in the following delivery model summary table.

Delivery Model Summary – Operations and Maintenance

DELIVERY MODEL	DESCRIPTION
Maintenance contract	A maintenance contract is unlikely to be a preferred solution, but may be an appropriate route if combined with a leisure operating contract, if that party is not suited to undertaking maintenance (or procuring maintenance) under their contract
Operations and maintenance contract	Where the focus is on the operation and maintenance of a facility, this is the most appropriate route, but a service provider would also need to be procured or direct employment of the service providers
Leisure operating contract	Where the focus is on the operation of a facility and the provision of services, the leisure operating contract is the most appropriate route

Find out more about sport and recreation facility management choices, their advantages and disadvantages:

www.sportnz.org.nz/managing-sport/guides/territorial-authority-sport-and-recreation-facilities-decision-guide

Selection of Operator

Approach to Selecting Operators

The selection of an operations and maintenance and service provider either separately or as a leisure operating contractor requires a specific skill-set. Specialist advice should be sought to develop the contract form and approach for selecting an operator. The typical areas of relevance could include:

- Proposed pricing structures
- Proposed activity programmes
- Proposed opening hours
- H&S policy
- Staff training
- Catering proposals
- Cleaning
- Environmental and energy management
- Customer service, including customer complaints and customer satisfaction measurement
- Sports development plan
- Health and well-being development plan
- Marketing plan, including communication strategy
- Reporting and IT systems
- Child protection policy
- Security policy

- Staffing structures and qualifications
- Programmed and reactive maintenance, including statutory inspections and equipment maintenance
- Quality management
- Equality and diversity
- Contribution towards local authority outcomes
- Event management
- Licences and legislation
- Business continuity
- Proposed handover methodology.

Specific Contract Mechanisms

For contracts, it will be worth reviewing the following mechanisms during the selection of contractors/operators.

Duration of Contracts

The duration of the contract may vary, but typical timeframes could be:

- Design build, operate, maintain – typically 15 years as a minimum
- Facility operator – typically 10 years, with five-year or five-plus-five-year extension.

Service Obligations Clarity

To understand the required service obligations of the operator, there has to be some clarification of the objectives required, and specific targets against which the performance of the contractor/operator can be measured.



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REQUIREMENT	EXAMPLE
Service delivery requirements	Relating to sports development/health and well-being plans/customer care/reporting/pricing/programming/opening hours
Facility management requirements	Cleaning/maintenance/lighting/heating/staffing/equipment

Service Obligations and Audit Function Requirement

Specified service obligations will need to be audited to make sure the requirements are being met to a suitable standard and, if not, identify the remediation that will be required to meet the obligations. This may be through in-house auditing or outsourced to a third party.

Loss of Revenue

Under the conditional basis of operating and maintaining the facility, it may be prudent to consider lost income due to unforeseen circumstances. This can include income lost due to insufficient customers, for example, or even lost income due to the particular position of the facility.

Utilities' Consumption and Utilities Tariff

A utilities benchmarking mechanism is often included in legal schedules to provide a framework within which a contractor can price for utilities. The standard position is that the contractor takes responsibility for consumption risk, with the local authority taking risks associated with fluctuations in tariff.

Key Requirements and Documents

Lease Agreement

In both forms of contract a lease is ultimately used, although a licence is granted to the contractor during the works period of the design, build, operate and maintain contract. The granting of a lease means the contractor will be 'in occupation' of the facilities. The lease does not contain any substantive provisions (for instance in relation to repairs/maintenance/insurance etc). These provisions are dealt with in the main contract and the lease refers back to the main contract on such issues so as to avoid conflict between the documents.

Safety in Design

SiD is the integration of hazard identification, risk assessment and control methods in the design process to eliminate or minimise risks to H&S throughout the construction and life of the element being designed.

All design documentation prepared for the project works shall be subject to this SiD process. Each design manager retains the primary responsibility for ensuring that the design work packages have been prepared in compliance with this procedure. This is also covered in more detail in Section 3.

Facility Management Plan

A facility management plan ensures that the essential requirements have been covered. Examples include but are not limited to:

- Cleaning
- Maintenance
- Lighting
- Heating
- Staffing
- Equipment.

Operations and Maintenance Plan

In an aquatic facility, an operation and maintenance plan is a critical component of maintaining H&S. Operation and maintenance lapses can be critical contributors to disease outbreaks and injuries. The facility operation and maintenance plan lays the foundation for operational improvement by containing requirements for:

- Closing and reopening for long- and short-term closures
- Comprehensive plans for preventive maintenance and equipment inventory and the development of an operations manual to be maintained at the facility
- Reducing and mitigating excessive glare and reflection on the pool surface through design of and adjustments to windows and lighting equipment
- Comprehensive daily records of pool operation and maintenance and of operational items inspected daily.

Evaluation Criteria

Evaluation Criteria Framework

The framework is arranged in steps that are consistent with the approaches for consultants, contractors and operators if required. The evaluation criteria and weightings should be agreed before the tender documentation is issued and clearly aligned with the objectives. Weightings are identified in Step 3.

STEP 1 – determine your evaluation criteria.

The example below breaks down the assessment of tenders into FOUR key attributes that the tenderer is expected to have demonstrated in their proposal. Does your working group agree with these four key attributes? Add and remove attributes as required. Once these have been determined, a weighting for each must be assigned. This allows you to recognise the importance of some criteria over others. For instance, 'price' typically has a high weighting as you will likely be working to a limited budget.

Step 1: Evaluation Criteria

NO.	ATTRIBUTE OVERVIEW	KEY QUESTIONS TO ASK YOURSELF WHEN EVALUATING THE TENDER
1	Price	Has the tenderer demonstrated good value for money?
2	Knowledge and experience	Has the tenderer demonstrated good knowledge of the sport and recreation sector? Have they demonstrated their skills through the completion of other/similar projects? What were the outcomes of those projects? Have references from those projects been provided?
3	Methodology	Has the tenderer demonstrated a good understanding of what you want to achieve? And does the process they have outlined make sense and work for you?
4	Personnel	Is the tenderer able to call upon people with different/necessary skill-sets to complete the project? And what is the risk to your investment should the lead consultant or nominated key personnel leave mid-project?



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STEP 2 – determine your scoring methodology. The example below allocates scoring options that are appropriate to the level of compliance demonstrated. Each evaluator should stay within the agreed parameters, but their individual scores (within those parameters) may vary. Once the scoring system is agreed, the selection of ‘weighted totals’ is next.

Step 2: Scoring Methodology

COMPLIANCE	DEFINITION	KEY WORDS	SCORE OPTIONS %
Significantly exceeds	Significantly exceeds the requirement in a way that provides added value to the project	Significant added value	85, 90, 95, 100
Exceeds	Exceeds the requirement in some aspects and/or offers some added value to the project	Some added value	65, 70, 75, 80
Compliant	Has shown an understanding of the requirement to the specified level and can meet the requirement to the specified level	Specified level	50, 55, 60
Non-compliant	<ul style="list-style-type: none"> Does not meet the requirement Marginally deficient Minimal cost or schedule impact to address Minor negotiation required to meet requirement 	Marginally deficient	40, 45
Non-compliant	<ul style="list-style-type: none"> Does not meet the requirement Requirement only partially met Meeting the requirement will impact on cost or schedule Significant negotiation required to meet requirement 	Partially met	5, 10, 15, 20, 25, 30, 35
Non-compliant	<ul style="list-style-type: none"> Does not meet the requirement Requirement not met to any degree by the solution offered No information provided – critical deficiency 	Not met	0

STEP 3 – take the score for each tenderer, the weighting factors for each of the non-price attributes and the price, and rank the tenders. Weightings can be found in the relative individual sections.

Typical Weightings for Operators

Typical Weighted Factors – Non-Price

ATTRIBUTES	SELECTION CRITERIA	WEIGHTING
NON-PRICE	Relevant experience and track record	15%
	Management expertise – commercial, technical, H&S, marketing, programme development, innovation, personnel management	20%
	Key personnel	10%
	Financial viability	15%

Typical Weighted Factors – Price

ATTRIBUTES	SELECTION CRITERIA	WEIGHTING
PRICE	Contract price	40%

Operating the Facility

Meeting the capital cost is only the starting point of funding a facility. Operating costs represent the ongoing financial obligation that will need to be met. Estimate operational costs for the long term to determine the viability of the proposed facility.

Community Access

The operation of a community sport and recreation facility will generally reflect the priorities of its owners, the governing body and the developer, but there is often an unrealistic expectation that it will be 'all things to all people'. There is value in clarifying the assumptions that underpin the operation at the outset so that realistic expectations can be communicated. In turn, these expectations can drive the following financial considerations:

- Has the facility been established to meet the widest range of community needs at an identified level of cost or at no cost to the users, or is it expected to contribute a predetermined financial return on the investment, sometimes referred to as an operating subsidy?

- Is there an expectation that there will be community access to the facility at all times, or will it be available for exclusive use by clubs, schools and private hirers for tournaments, events and social activities?
- Are the opening hours designed to provide the widest possible access, or are they focused on periods of greater use (and greater return)?

It is likely that such a facility will require an ongoing operational subsidy.

Programme of Use

In general in New Zealand, community facilities are used mostly (around 70 percent) for casual leisure purposes such as general fitness, classes and leagues, about 20 percent for structured competitive sport and sports training, and up to 10 percent for health and therapeutic purposes like hydrotherapy and injury rehabilitation.

The use of each area of the facility will reflect these elements to varying degrees.



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In the aquatics area, most hours are likely to be committed to casual use by families and individuals seeking an enjoyable recreational and leisure experience or some healthy physical activity. At peak times (usually weekdays in the late afternoon and early evening), there is likely to be competing demand for water space from aquatic sports clubs training or competition, swimming lessons, after-school care and lane swimming by individuals.

Daytime hours provide an opportunity for more targeted programming opportunities such as group activities (aquarobics classes, older adults, water safety, school groups) and swimming lessons.

Children's programmes (holiday programmes, evening 'fun' sessions, after-school care) may also be major users at specific times.

Sports court areas are likely to have major use in the evening peak times by local sports organisations (especially netball, basketball, volleyball and tennis) and in the day by school groups if they are without their own facilities. The challenge for management is to fill the off-peak times as much as possible, and a major user may be sports leagues for those who prefer to participate in a more casual, less structured manner than those run by formal sporting bodies. Other activities may be group exercise classes, children's classes, fitness circuits, prescribed health programmes, eg, 'green prescription', and sports academies' training activities.

The use of the fitness centre is likely to follow a more traditional pattern, although sessions for older people, sports clubs, injury rehabilitation, weight loss and young athletes may be a feature depending on the local demographics, need and demand. Group fitness classes, including activities targeting flexibility and general-well-being, are likely to be attractive to many if space is available.

Potential Facility Management Arrangements

Local authorities in New Zealand have a history of investing in sport and recreation facilities in their communities to achieve community outcomes. Individual councils have tended to make decisions about how best to structure the management of these facilities based on varying levels of knowledge and differing levels of analysis.

Sport NZ commissioned a report published in 2013 to provide assistance in making these decisions. This report provides an overview of the range of

management choices, both current and potential. It outlines the key characteristics of each of the different models and their advantages and disadvantages, drawn from research conducted with a range of New Zealand local authorities and private providers and relevant Australian and UK research.

In New Zealand, there are currently six main management models for council sport and recreation facilities:

- In-house management
- Contracted or leased to a private provider
- Contracted or leased to a community trust or committee
- A council-controlled organisation
- A mixed management model, where the council chooses to have a combination of any or all of the above models
- A hands-off model, where the council supports and facilitates a local community to develop its own facilities.

In New Zealand, the great majority of facilities are managed in-house (at least 75 percent) while commercial operators manage 15-20 percent.

Where there is a major investment in the development of a facility by a private contractor, that contractor is likely to have an opportunity to manage the facility for a time period sufficient to generate a reasonable return on their investment.

Facility Indicative/Generic Income

Estimating the income of a facility requires making a number of assumptions about aspects including:

- Population numbers likely to produce facility users
- Local competition for sport and recreation activity
- Funding policy and pricing strategy
- Priorities for facility use and community demographics profile
- Arrangements with clubs and other hirers
- Community expectations.

In general, the major income areas for a facility are likely to be swimming lessons, health and fitness centre memberships and staff-run programmes such as children's activities, group exercise and 'social' sports leagues.

Income from hire-to-clubs and other community-based users does not usually contribute as significantly, and where activities such as LTS are offered to other providers, the return on operating costs is likely to be lower.

Retail, catering and vending are also potential income streams, although generally it is accepted that a fully catered café may require in excess of 240,000-300,000 visits per annum to be profitable. As a guideline, it may be assumed that a well run facility could achieve five to seven visits per head of population annually.

Facility Indicative/Generic Costs/Expenditure

The major costs in operating a community sport and recreation facility are related to staffing. In the main these are fixed costs, but there will be a variable element (such as casual lifeguard cover) linked to variations in the pool programme, and programme leader costs (such as for swimming or aerobics instructors and referees). A stand-alone facility will have proportionally higher staff costs than a multi-sports centre due to the limited ability to share resources. In New Zealand, the average staffing cost is as high as 87 percent of the income generated.

The second-largest operational cost is utilities. This is mainly fixed because the water and air need to be treated and heated, irrespective of usage levels and dependent on the efficiency and effectiveness of the heating and ventilation plant and equipment installed. Operational policies will also impact on utility costs, for example, by varying bather load, use of showers, backwashing filters and loss of water through leaks or evaporation.

An aquatic centre's average operating cost is over \$1,200 per sqm of water space, while revenue is around \$750 per sqm of water space.

Indicative Operating Budgets for Facility Types

The following are indicative budgets for the three facilities outlined in Section 1 for the linear facility model (small, medium and large). The detail of these budgets will be impacted by a significant number of issues including population, pricing, facility management, costs of services and utilities, priorities for use and local competition.



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BUDGET DETAIL			
INCOME	SMALL FACILITY	MEDIUM FACILITY	LARGE FACILITY
SWIMMING	\$	\$	\$
Casual	115,000	145,000	240,000
LTS	360,000	380,000	400,000
Schools	15,000	20,000	30,000
Clubs	17,000	25,000	28,000
Other	8,000	10,000	15,000
Swimming sub-total	515,000	580,000	713,000
SPORTS HALL			
Court hire	20,000	20,000	50,000
Leagues	30,000	30,000	75,000
Sports hall sub-total	50,000	50,000	125,000
PROGRAMMES			
Programmes – adult	50,000	65,000	75,000
Programmes – child	170,000	200,000	250,000
Programmes sub-total	220,000	265,000	325,000
HEALTH AND FITNESS			
Memberships	225,000	310,000	315,000
Casual	25,000	35,000	40,000
Health and fitness sub-total	250,000	345,000	355,000
SECONDARY SPEND			
Retail	37,000	47,000	90,000
Food and beverage	3,000	8,000	15,000
Secondary spend sub-total	40,000	55,000	105,000
Miscellaneous income	5,000	5,000	10,000
TOTAL INCOME	1,080,000	1,300,000	1,633,000

BUDGET DETAIL

INCOME	SMALL FACILITY	MEDIUM FACILITY	LARGE FACILITY
OPERATIONAL EXPENDITURE			
STAFFING	\$	\$	\$
Wages and salaries	870,000	980,000	1,215,000
Staff overheads	50,000	60,000	75,000
Staffing sub-total	920,000	1,040,000	1,290,000
PREMISES			
Utilities (gas/electricity)	115,000	155,000	195,000
Water	7,000	11,000	14,000
Insurance	4,000	5,000	8,000
Repairs and maintenance	30,000	40,000	60,000
Equipment hire/rental	25,000	30,000	45,000
Equipment replacement	8,000	11,000	16,000
Maintenance contracts	20,000	25,000	33,000
Water treatment	20,000	25,000	28,000
Rubbish disposal	3,000	4,000	6,000
Security	3,000	4,000	6,000
Premises sub-total	235,000	310,000	411,000
ADMINISTRATION AND MARKETING			
Marketing	50,000	55,000	70,000
Office supplies	2,500	2,500	3,000
Postage	500	500	1,000
Bank charges	4,000	5,000	6,000
IT expenses	25,000	31,000	40,000
Telecommunications	12,000	15,000	18,000
Sundries	6,000	6,000	10,000
Administration and marketing sub-total	100,000	115,000	148,000



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BUDGET DETAIL			
INCOME	SMALL FACILITY	MEDIUM FACILITY	LARGE FACILITY
SUPPLIES AND SERVICES	\$	\$	\$
Cleaning supplies/contracts	25,000	30,000	50,000
Subscriptions/sponsorship	7,000	7,000	10,000
Professional fees/licences	90,000	100,000	120,000
First aid supplies	3,000	4,000	6,000
Programme expenses	80,000	100,000	150,000
Supplies and services sub-total	205,000	241,000	336,000
Other	5,000	5,000	10,000
TOTAL EXPENDITURE	1,465,000	1,711,000	2,195,000
NET COST (subsidy)	-385,000	-411,000	-562,000
RETURN ON COSTS	73%	75%	74%

In general, these budgets indicate a reasonably effective level of operation for the facilities described, with an above-average return on costs. A facility that includes a major aquatic centre requires a significant annual operating subsidy.

While the health and fitness area of the facility could be expected to generate a significant profit, and the sports hall comes close to breaking even on operating costs, in New Zealand the revenue return on costs for an aquatic centre ranges from as low as 25 percent to just over 100 percent, with a mean from the Yardstick benchmarking report at around 55 percent.

Maximising Financial Performance

As outlined above, the financial performance of a facility can be influenced by a number of decisions to be made by the owners/governors, including on the operating objectives, management models and pricing strategies.

A facility with a lean and efficient operation, a fully subscribed programme, the ability to minimise overheads, and higher-than-average prices will likely do better financially than one that has high staffing levels, high overheads, a restricted programme and subsidised prices.

Pricing is a variable factor in terms of income generation. Community recreation and swimming have traditionally been subsidised activities where the net cost of providing each opportunity to participate is not fully covered by the fees charged. However, there are options to move away from subsidies to a more targeted approach to income. Differential pricing (peak and off-peak), concessions and various packages such as loyalty schemes may be considered. The level of income generated is affected by the programme of use, the demand levels and the fee for service applied.

Other considerations that can contribute to maximising use while minimising operating costs include:

- Opening hours
- Staffing levels (aquatic facilities have to meet industry standards)
- Operating and energy efficiency
- Safe occupancy loads and capacity
- Programming.

Staffing levels and remuneration should be considered carefully and well managed without compromising requisite levels to maintain a safe and user-friendly experience. Active programming with a focus on creating revenue, particularly in off-peak times, can contribute significantly to an improved return on operating costs.

The design of the pool and the efficiency of the plant can also impact on running costs. In many cases additional capital expenditure on the most efficient plant, fittings and equipment can achieve savings in operating costs over the life of the facility. A robust repair and maintenance programme is needed to ensure that plant and equipment are working efficiently. Also, equipment and facility breakages are repaired quickly so as to not lessen the customer experience.

Revenue Stream Opportunities

The key to maximising revenue is to add value to the customer experience and in turn to increase the visitor spend. For example, a swim school enrolment provides the opportunity to market swimwear, towels, goggles and programme-related materials such as music and books. In addition, a presence in the swim school lends itself to marketing holiday programmes, other children's programmes and other sports.

The same principle obviously applies to adult programmes. Well managed social media provide an opportunity to expand the market for a facility's services far beyond that which is available through traditional advertising media.

The current trends in sports participation towards short-term, less-structured competitions entered by teams formed in workplaces, social settings, family or whanau also provide extra opportunities for facility revenue. Such competitions can include traditional indoor sports (netball, basketball and volleyball) and less traditional sports (indoor touch and dodgeball). Where these are delivered to a high standard of organisation and officiating they can prove more attractive than traditional leagues and dramatically improve revenue in times of otherwise low demand.

Operational Health and Safety Requirements

A community sport and recreation facility has the potential to have a number of H&S risks associated with the nature of the physical environment and how it gets used – deep water, high levels of possibly stressful physical activity often involving large groups of people, and potentially hazardous equipment. H&S is therefore a primary consideration in the operation and management of such a facility.

The majority of these requirements are outlined in New Zealand H&S legislation, and there are potentially severe penalties for failing to conform with them.

The recreation industry through the NZRA and Water Safety New Zealand also administers a voluntary minimum standard for H&S through the PoolSafe scheme, and offers management guidelines for swimming pools and recreation centres.

The New Zealand Accident Compensation Corporation also offers an accreditation scheme that provides an additional external measure of performance in relation to H&S.