

Decision released from confidential session			
Recommendation from (agenda report)	Date of meeting	Recommendation to (decision-making meeting)	Date of meeting
		Strategic Development and Property Subcommittee	01 June 2021
Report Title and number			
Marina Transition Project – Project Costs (R25912)			
Documents released			
Decision SDAP/2021/033 and Report (R25912) Marina Transition Project – Project Costs			
Decision			
That the Strategic Development and Property Subcommittee			
<ol style="list-style-type: none"> 1. Receives the report Marina Transition Project - Project Costs (R25912); and 2. Notes that 2020/21 unbudgeted costs of \$98,947 associated with the decision to bring Marina management in-house are expected to be offset by reduced expenditure in other areas and higher than budgeted revenue received. 3. Agrees that report R25912 be made publicly available once contract termination negotiations are concluded. 			

PUBLIC EXCLUDED

Item 3: Marina Transition Project - Project Costs



Strategic Development and Property Subcommittee

1 June 2021

REPORT R25912

Marina Transition Project - Project Costs

1. Purpose of Report

- 1.1 To inform the Subcommittee about direct and indirect costs arising from terminating the NELMAC Management, Maintenance and Promotion of Nelson Marina (3418) contract two years early.

2. Recommendation

That the Strategic Development and Property Subcommittee

1. ***Receives*** the report ***Marina Transition Project - Project Costs (R25912)***; and
2. ***Notes*** that ***2020/21 unbudgeted costs of \$98,947 associated with the decision to bring Marina management in-house are expected to be largely offset by reduced expenditure in other areas and higher than budgeted revenue received.***
3. ***Agrees*** that report ***R25847 be made publicly available once contract termination negotiations are concluded.***

3. Exclusion of the Public

- 3.1 This report has been placed in the public excluded part of the agenda in accordance with section 48(1)(a) and section 7 of the Local Government Official Information and Meetings Act 1987. The reason for withholding information in this report under this Act is to:
- Section 7(2)(i) To enable the local authority to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations)

PUBLIC EXCLUDED

Item 3: Marina Transition Project - Project Costs

4. Background

4.1 The decision to terminate the management contract early and bring management of the Marina back into the Council was made due to:

- Low customer satisfaction
- A recommendation from the Marina Advisory Group to the Sports and Recreation Committee
- Issues around enforcement of berth-holder licence terms, specifically debt collection and bio-fouling non-compliance
- Need for simplification of responsibilities within Council and under the contract

4.2 Council will take over direct management of the Marina from 1 July 2021.

4.3 Costs have been incurred by Council to terminate the contract early.

4.4 In preparation for taking over marina operations, work has been undertaken to put in place systems and operational resources to deliver an effective and efficient Marina service.

4.5 This report outlines unbudgeted costs associated with bringing management of the Marina back in-house.

5. Cost of Transition

Capital expenditure

5.1 The capital expenditure costs of transition have been met through transfers within existing budgets.

Operational expenditure

5.2 2020/21 Financial Year

5.2.1 Costs of the decision to assume direct management of the Marina from 1 July, unbudgeted in 2020-21 as shown below. This is unbudgeted, but is expected to be offset by higher than planned revenue and lower than planned expenditure in other areas.

Transition Costs 2020-21	
Nelmac contract early termination costs (to be finalised)	\$20,447

PUBLIC EXCLUDED

Item 3: Marina Transition Project - Project Costs

Contractor cost to assist managing transition project	\$40,000
Total	\$60,447

- 5.2.2 Legal fees to develop a new berth-holder licence have been incurred as a cost not a directly related to the transition, although still incurred as a result of the transition project. This is unbudgeted, but is expected to be offset by higher than planned revenue and lower than planned expenditure in other areas.

Costs of improvements 2020-21	
External legal fees – new berth-holder licence	\$28,500
External legal fees - debt collection	\$10,000
Total	\$38,500

5.3 2020/21 Financial Year

- 5.3.1 Establishment costs that will be accommodated in the 2021/22 financial year as part of the cost of managing the marina.

Establishment Costs 2021-22	
Eftpos connection fees	\$5,000
Staff uniforms	\$2,400
Staff personal protective equipment	\$7,290
Total	\$14,690

- 5.4 Under the contract, Nelmac has been responsible for debtor functions including debt collection, but not debt recovery. At 31 March berth-holder debt that is more than 3 months overdue stands at \$95,257.
- 5.5 Legal costs are being incurred by Council to ensure that debt collection and recovery processes meet legislative requirements, and existing licence terms. Berth-holders with outstanding debts will be informed that debts must be settled before new licence terms are offered on handover,

PUBLIC EXCLUDED

Item 3: Marina Transition Project - Project Costs

and that further action will be taken to recover outstanding debts if they are not paid. Officers are already successfully collecting debt.

- 5.6 The payment to Nelmac covers redundancy and retention payments to current Marina staff.
- 5.7 New berth-holder licence terms have been developed to ensure that compliance, including payment of fees, can be more easily enforced once Council directly assumes responsibility for managing the Marina. Development of a new licence could have been completed after handover of the contract but made sense to do as part of package of improvements for direct management.
- 5.8 The contractor has been responsible for facilitating the transition project, leading the cross-Council team since August 2020. This work has included the development of the new licence and debt recovery actions, recruitment, information technology, customer service, compliance, procurement of new marina software, Marina office set up and new financial processes.
- 5.9 Unbudgeted operational expenditure will come from the marina account. In the event there are insufficient offsets with over-budget revenue or savings in other lines, this will reduce the surplus in the marina account

6. Conclusion

- 6.1 Costs associated with the decision to bring Marina management back in-house can be met through existing budgets (capital expenditure) or offsetting operational expenditure establishment costs through savings in other lines or higher than planned expenditure.
- 6.2 Unbudgeted operational expenditure costs of the transition comprise payment to Nelmac to terminate the contract early, legal fees to pursue outstanding unpaid licence fees, and transition project management fees to coordinate and ensure the success of the project.
- 6.3 Additional unbudgeted operational expenditure has been incurred in developing a new berth-holder licence.
- 6.4 Service delivery will improve as a result of the transition, and this will assist Council to respond to feedback from the Marina Advisory Group and submissions. Work has already commenced to undertake changes for handover.

Author: Rosie Bartlett, Manager Parks and Facilities

PUBLIC EXCLUDED

Item 3: Marina Transition Project - Project Costs

Attachments

Nil

Released 25 September 2024