



Wairoa District Council

Wairoa Community Centre Section 17A Review

14th September 2020

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1. Executive Summary

The Wairoa Community Centre was built in 2006 as a state of the art aquatic and recreation centre. The aim was to serve the immediate population of around 9,000 people along with the outlying schools and communities of the Wairoa District. Due to financial pressures, the founders, Wairoa Community Trust, handed the facility to Wairoa District Council in 2012 with Sport Hawke's Bay continuing to operate the Centre under a Service Agreement with Council. While the facility would be the envy of most provincial towns throughout New Zealand, clearly there is a cost to maintain this gem being far in excess of the initial build costs.

A number of factors, including the financial impact of Covid-19, have highlighted the financial sensitivity of an operation that relies:

- Significantly on Council funding by way of contribution. This rate was established six years ago and only linked to CPI adjustment;
- Where the entry fees and service charges established by the operator have not been tested in terms of demand sensitivity;
- Where there is both vulnerability in annual amount and moral conflict in gaming machine grants; and
- Where third party funding options generally are limited for an operation such as this and have not been sought, let alone, exhausted, by either party.

This review has been undertaken to consider the cost effectiveness of the Wairoa Community Centre under its current operating structure. In terms of effect, it presents as an organisation that is conscious of and careful in its expenditure, recognising the impact on the public purse along with perception of the community at large.

An external review presents an opportunity to look objectively at the entity and this has been possible with a willingness from Council, as asset owner to consider best practise options and its role in the future of this venture; the facility operator, keen to engage and look for options to protect and project community services and provide value for money delivery; the community as beneficiary of this investment and without whose participation in the programmes offered there would be little need of this organisation.

This review has enabled an objective perspective and has formulated through its findings a number of recommendations, some of which will clearly appear to be operational rather than strategic. For the community there is no distinction between the two and these are therefore provided in the suite of options that also require a transformational shift in the way stakeholders approach this service provision as a unified front to the community it serves, and between themselves as necessary contributors to the sustainability of this venture.

The pandemic has merely highlighted a symptom, being a funding deficit, which has been underlying for some time and appears to have been on the cusp of surfacing over the past few financial years.

The need to plug a funding gap is certainly needed but, to provide value for money for the community, there are a number of other actions and initiatives that will be required prior to, or in parallel with, that funding correction.

These actions include:

- An agreement to view this venture under a structured governance approach rather than as a traditional and typical annual reporting update to Council;
- The definition of accountabilities and responsibilities for the end-to-end service delivery from asset performance to service performance;
- The cascading of Council’s community wellbeing objectives through the delivery of services and ensuring realistic performance measures are in place to monitor this;
- The need for Council to better understand its asset performance and to adequately carry this through into its Long Term Plan 2021-2021 deliberations and consultation processes to enable and ensure transparent decision-making;
- The need for more structured managerial support of the service provider to build strategies and plans around coordinated promotion, business development, service offering, fee and charges setting; and
- A refresh and rebrand to build facility identity and better community connection.

While a crisis may have been the initiator in generating action to review operations, the parties involved will be mindful that any hurried reaction to remedy may not be in the best interests of cost, consensus or community. There appears to be a willingness from all to participate in the solution and, while that willingness remains, it would be prudent to exhaust those options first.

The following guidelines are offered and apply to both the current parties involved, but equally to the initiation of any new Service Agreement, without which the current issues will not be permanently resolved.

Joint Obligations

Both parties to acknowledge their roles, responsibilities and forward plan of action(s).

Current funding deficit agreed by both parties with support from Council / Cost Reductions / Third Party Funding / Fees and charges optimised.

Rebranding strategy developed and implemented with a focus on sport, recreation and wellbeing.

Wairoa District Council

Sport Hawke’s Bay

Asset Management Plan developed and adopted (fully costed against levels of service).

Agreement on service delivery of Wairoa Community Centre as core business.

Long Term Plan implications costed and consulted on through the 2021-2031 period.

Commitment to additional and alternate funding options beyond Council contribution.

Formalisation of Council’s Wellbeing statements into Performance Indicators.

Managerial support to reshape and redirect the activities, focus and direction of Wairoa Community Centre.

2. Sport Hawke's Bay

Introduction

SPORTS HAWKE'S BAY: "OUR STORY" (WEBSITE EXTRACT)

"Sport Hawke's Bay is dedicated to achieving our regional vision of ensuring the Hawke's Bay community has a life-long love of sport and physical activity.

This is achieved through our three main pillars of work:

- 1. We will inspire the Hawke's Bay community to engage in greater levels of physical activity;*
- 2. We will support regional sports organisations, schools and clubs to run sport more effectively;*
- 3. We will influence key stakeholders to develop and enhance the sport and active recreation sector.*

Established in 1989, Sport Hawke's Bay makes up a network of regional sports trusts throughout the country. We are seen as being an independent voice of sport and active recreation while also using physical activity to encourage people to live a more active and healthier lifestyle. The Sport Hawke's Bay head office is based at Pettigrew Green Arena in Taradale, with offices also in Waipukurau and Wairoa.

Sport Hawke's Bay is governed by a Board of Trustees chaired by Damon Harvey and managed by Chief Executive, Mark Aspden.

The programmes and services managed by Sport Hawke's Bay are available for all communities in the Hawke's Bay region."

Trust Activities

Sports Hawke's Bay provides outreach and community based support for the promotion and development of sport, recreation and activity across the Hawke's Bay Region.

The majority of services are provided by a staff of coordinators and advisers who support groups, clubs, schools and other organisations to better engage in physical activity through sport and recreation.

Primarily based at Taradale, Sport's Hawke's Bay does have an office in Waipukurau in the Central Hawke's Bay to service this Southern area with its suite of programmes and projects. The aquatic complex in Central Hawke's Bay is managed by another party, Aqua Management, on behalf of Central Hawke's Bay District Council.

The Wairoa Community Centre is, however, the only integrated facility which is managed, staffed and run by Sport Hawke's Bay and therefore represents a very different delivery model to the services provided throughout the rest of the Hawke's Bay by them.

A like-for-like comparison of service provision is therefore difficult to make as the complexity of managerial and operational interface provided at the Wairoa Community Centre is not replicated elsewhere in the Hawke's Bay by Sport Hawke's Bay.

In spite of a 12-year relationship directly managing the Wairoa Community Centre, Sport Hawke’s Bay’s Strategic Plan 2017-2020 remains silent on the direct running of any facility although it does note the area of identification of facilities where there is a recognised need to service community expectations.

A copy of the Sport Hawke’s Bay single-page Strategic Summary is attached at Appendix 2.

As part of this review process, observations and recommendations have been made as to areas of immediate and future focus from an operational perspective. These observations are considered to be relevant irrespective of the service provider in place but are intended to inform Sport Hawke’s Bay as to areas of need and focus. Council must also consider these in its relationship stocktake and as a necessary component of a reviewed and revised Service Agreement.

Funding

A driver behind this review is the operating deficit made more significant by the impact of Covid-19. Sport Hawke’s Bay has signalled internally that this fiscal issue has been on-going as a result of increased operational costs, specifically staffing, utilities and compliance.

The current operating model sees Wairoa District Council providing an annual contribution to the Community Centre running costs of approximately \$254,000 p.a. with an additional salary contribution of \$30,000p.a. Council had contributed a vehicle in the past, but this funding has been withdrawn pending review. Sport Hawke’s Bay bears all responsibility for operational surplus and / or loss.

| Wairoa District Council Contributions: | Annual (2019): |
|--|-------------------|
| Annual Operating Contribution (CPI adjusted) | \$ 254,000 |
| Salary Contribution | \$ 30,000 |
| Total | \$ 284,000 |

Until financial year end 2019, the Wairoa Community Centre returned a modest surplus to Sport Hawke’s Bay. However, an increase in power utilities and staff costs as a result of a shift in minimum wage rates has impacted on their bottom line. This is coupled with a significant decline in Gaming Machine funding from \$43,000 (2018) to \$16,000 (2019) which has pushed Sports Hawke’s Bay into an operating loss, exclusive of any management fee component, of approximately (\$66,000) in FY2019 and (\$75,000) in FY2020.

Budget estimates for the FY2021 period were forecast to increase this deficit to approximately (\$100,000). In spite of some benefit in staff reduction due to natural attrition, the impact of Covid-19, a more realistic (and lesser) contribution from Gaming Machine income which appears to have been budgeted unrealistically with a \$20,000 improvement on previous year, will see this deficit pushed out beyond a loss of (\$100,000) to a figure in the order of (\$140,000) or greater.

Minor funding revenues have historically been limited to small scale donations, shop sales and other related activities.

The major bulk funding mechanisms are derived from the following:

| Source: | Annual (2020): | % total revenue: |
|--|-------------------|------------------|
| Wairoa District Council annual contribution: | \$ 254,000 | 46% |
| Fee income (entry / membership, etc.) | \$ 210,000 | 38% |
| Gaming Machine Revenue | \$ 33,000 | 6% |
| Other Incomes - miscellaneous | \$ 50,000 | 10% |
| TOTAL | \$ 548,000 | 100% |

Other than Council contribution and membership-type fees there has been no additional grant funding or Trust funding sought or attributed to this facility. Any potential government grants or Sport New Zealand allocations are sought and applied for under the Sport Hawke's Bay umbrella to provide community sport and recreation outreach across the entire Hawke's Bay region.

In the 2019 Financial Year, Sport Hawke's Bay received the following revenues at a regional level:

| Source: | Annual (2019): |
|--------------------------------|----------------|
| Government Grants | \$664,622 |
| Sport NZ Funding | \$909,000 |
| Other Grants | \$ 658,992 |
| Donations (undisclosed totals) | \$ 116,120 |

A past and potentially substantial funding mechanism has been the Gaming Machine Revenues which are allocated based on the catchment area. The erratic contribution from this source is linked to the volatility in Gaming Trust allocations determined annually and from a dedicated Trust controlling that activity. What is surprising is the budget contribution (2021) against this income stream which sees an expectation of unprecedented Gaming Machine revenues from a comparatively low base in the preceding years.

Unless the Gaming Machine Trust had confirmed a higher budget expectation, and therefore commitment, it seems unreasonable for Sport Hawke's Bay to have arbitrarily considered the potential for a higher pay-out as budgeted. As noted, preparing a realistic budget would have signalled a greater deficit, and sooner, and potentially accelerated discussions around options to bridge that. This level of transparency would be expected of a relationship based Agreement.

Sport Hawke's Bay has not sought funding outside of the traditional sources of service fees and Council, believing Council are best placed to make local representation to service a local need. This includes approaches to local Iwi funders considered as potential contributors and reportedly awaiting approaches prior to settling on their resource allocations. It should be noted that there has been no substantive follow up to this source, but clearly one worth exploring. Exploration of funding from the growing Research & Development, technology and engineering sectors should also be actioned as a demonstration of local commitment and engagement.

A copy of the Sport Hawke's Bay financial statement is provided in the Appendix 1, which include the funding source break-down, both actual and budgeted. Access to the consolidated Sport Hawke's Bay audited financial reports is available on their website.

Dealing with the deficit

On 3 May 2020 Sport Hawke's Bay signalled to Wairoa District Council their funding shortfall along with a request for financial assistance to bridge that gap and jointly engage in a process to review operations over the balance of 2020.

That request is made up of the following:

1. A one-off contribution of \$49,000 to cover the direct impact of Covid-19;
2. An increase in the contribution made by Wairoa District Council from \$254,000 to \$300,000 for 2020 / 2021 as a means of "buying time" pending a permanent solution is agreed; and
3. To work jointly to review operations and the current funding model with the intention to implement any change from 1 July 2021.

Irrespective of the service provider in place and future operating model option, a funding strategy which includes obligations and accountabilities of all stakeholders is a critical component of any Service Agreement and should be a non-negotiable feature of a new Service Agreement.

Notwithstanding, gaps in the operative Service Agreement should be resolved immediately and include:

- a) Any agreement on additional funding sought and granted, as requested by Sport Hawke's Bay through the duration of the current Agreement to 30 June 2021; and
- b) As a fundamental obligation on both parties into a new Service Agreement from 1 July 2021 irrespective of the Centre Operator.

From a value proposition, the funding gap appears to represent the loss trend and demonstrates a willingness to share in the pain until a solution is reached. It is unlikely, though, that the option can come solely from Council's already likely constrained funds. The "current funding model" is not sustainable if that supposes increased Council subsidy and support alone. Optimisation of fees and charges, alternate third party approaches and enhancement of service programmes must be reviewed and accelerated as a priority.

In addition, Council is considering an initiative whereby the Community Centre's power charge is routed to achieve the All of Government discount, typical of local government operations. As the second largest cost behind staffing, and at around \$80,000 to \$100,000p.a., any relief in the cost of this utility will have a significant impact on the bottom line and so the allocation of utilities to achieve the government discount is required with urgency. However this does not diminish the need to grow revenues at the same time.

4. Wairoa Community Centre

Centre Services and Costs

A description schedule on Centre Services is provided on the Sport Hawke's Bay (Wairoa Community Centre) web-site although it should be noted that the descriptors shown on the site are out of date and should be refreshed:

The Wairoa Community Centre is a \$4 million wet and dry facility, incorporating a heated indoor swimming pool, fitness centre, function rooms and gymnasium / stadium, equipped with bench seating and a high ropes confidence course.

The Centre is owned by the Wairoa District Council and Sport Hawke's Bay currently has the contract by way of Service Agreement to operate the facility. It is used as a facility in its own right and also as the base for all of Sport Hawke's Bay operations in Wairoa.

Swimming Pool

The 25m indoor pool is centre-piece of the Centre and home to a variety of programmes for the Wairoa community including Learn to Swim, Aqua Aerobics, Dive Training, Swimming Sports, Club Swimming, rehabilitation training and lane swimming. A purpose built "learn to swim" pool has recently been constructed and provides a facility for pre and school programmes.

Fitness Centre

The Fitness Centre incorporates cardio machines, weight training and aerobic classes. It serves as the local community gym. The Fitness Centre is now located upstairs in, what was, the AFFCO Function Room.

Function Room

The Function Room now operates from the down-stairs area formerly occupied by the Fitness Centre. It is a multi-purpose room which can be easily set up for meetings or conferences etc. where an enclosed room is required.

Gymnasium

The Gymnasium is a multi-purpose venue that can be used for both sporting and non-sporting events.

High Ropes Course

Reputed to be the highest indoor ropes course in New Zealand and a sought-after team building or confidence inspiring exercise. Unfortunately the High Ropes Course has been out of operation for the past 2-years as it awaits compliance approval. There is reportedly high demand for this facility and no clear rationale as to why the expenditure on compliance assessment has not occurred which would have contributed, even in a small way, to reducing the operating deficit.

Management and Staff

The Wairoa Community Centre is run by committed and long-time manager, Sara Bird, who reports to Sport Hawke's Bay Chief Executive, Mark Aspden.

Including the manager, there are a total of 18 approved positions with 16 of these currently filled. The two vacant roles are the Gymnasium Coordinator, and Fitness Centre Team Member, both recently resigned and not replaced due to Covid-19 pressures. Two pool team members have also signalled their intention to resign, although this is not yet formalised.

There is no intention to immediately fill vacancies or replace team members who leave through natural attrition. The intention is that current staff will be utilised by extending their hours to cover any gaps. This is a short-term view as any reduction in team members does not translate automatically into cost savings due to the requirements for mandatory supervision of the pool complexes. Some benefit is noted in other staffing areas but no factoring of a decrease in levels of service has yet been determined here.

The Wairoa Community Centre is the only complex that is directly managed by staff of Sport Hawke's Bay. While there is a recognised chain of command back to the Chief Executive in Taradale, the day-to-day operations of the centre are largely left to the Centre Manager who determines staffing; resourcing; communications and stakeholder interactions; minor maintenance works; pricing; programming and scheduling; access of member and non-members; koha usage and entitlement.

Observationally the Centre functions as a discrete and divorced entity from both the regional Sport Hawke's Bay structure and Wairoa District Council. Its service delivery is possibly reminiscent of the operating structure under the initial Wairoa Community Trust and constitutes a "set and forget" philosophy around day-to-day operational management.

Again, observationally, this does not appear to be symptomatic of a remote operation setting their own agenda and pace, and at odds with any strategic or operative objectives from a remote head office, as there do not appear to be any objectives established and at play here.

Extensive community interviewing has discussed long-term committed staff; well qualified in their specialty areas; accessible and communicative; engaging and supportive of community needs

Any service operator cannot shield themselves from operational obligations through geographic remoteness or the distance of "not core business". Sport Hawke's Bay has been responsible for the management for this Centre for approximately 12-years, under Service Agreement from the initiating Trust and now Council. This would certainly appear to constitute "core business" after such a time period. The fact that this activity is excluded from Sport Hawke's Bay's operative and strategic horizons could be remedied and with urgency.

The decision is straightforward: If this is not a core business component then exit the activity, or make it one and support it accordingly.

As a core business, it would be reasonable and appropriate for any remote management function to articulate and provide clear direction around:

- **Staffing and people-resourcing expectations:** including optimising the headcount against service levels required including a review of opening hours to best meet demand;
- **Maintenance and machinery operations:** demarcation of the roles between General Maintenance Staff and Council;
- **Remediation of out-of-service equipment:** for example, there appears to be no intention to certify the high-rope course, nor any analysis undertaken on the cost/benefit of doing so;
- **Stakeholder interface:** all interactions with Council as the asset owner including preventative and reactive maintenance, communication and publicity;
- **Fee setting:** response and reaction to a call for free facilities; determination of fee structures, including fees and charges scaling and discounting; agreement on what constitutes koha and its allocation;
- **Access and security,** the separation of access points to enhance service hours, even unstaffed;

- *Engagement and communication protocols*: the use of social and other media for promotions and specials; “name and shame” around bad behaviour of users; facility issues; upcoming events; access to community services;
- *People, equipment and process flows*: establishing a clear understanding, with the appropriate systems, to consider site and facility segmentation, access controls, accurate visitor monitoring and fee collection i.e. protracted (6-months) issues with malfunctioning security doors to pool complex making visitor numbers, let alone fee collection, somewhat meaningless;
- *Integration*: synchronisation of health and wellbeing services including documented plan and objectives for the handling and processing of third party services, including green prescription distribution and access; and
- *Council’s planning*: Input into Council’s facility or Asset Management Plan to deal with the increasing requirements around wheel-chair and general accessibility and road frontage access issues.

Community Usage and Value

The Wairoa Community Centre is a venue and facility which is potentially over capitalised for a community the size of Wairoa. It has a Council facing the typical issues of affordability and operational efficiency in a pandemic-impacted, geographically remote, District with a population where service levels which are much less than those offered in larger metropolitan centres is the norm.

However, consistent community use including relatively high patronage from schools suggests that, even operating in its ad hoc manner, that it is adding value to the community commensurate with its cost structures and challenges.

However, it could add more value and that will only be possible with a radical rethink as to what its purpose is and with all stakeholders subscribing to that vision.

Centre management is asked to report against a number of performance indicators including visitor numbers, satisfaction metrics, staff training statistics etc. These are prescribed in the Service Agreement and form a traditionally vanilla benchmark against which services are designed to be assessed.

For any KPIs to be meaningful would require a more robust blend of quantitative and qualitative assessment and a more rigorous definition of the statistical baselines supporting it. It would be beneficial if performance indicators were aligned with Council’s financial and non-financial performance indicators required of its Long Term and Annual Planning cycles.

For those, particularly the non-financial measures, to be meaningful would require a significant challenge to the traditional question sets of “x% satisfied with...” to a more comprehensive measurement framework around agreed and requisite Council “Wellbeings” in general and how these are being supported.

Facility users appreciate and value the significance of this complex but stress ongoing issues with appearance, maintenance and upkeep. A consequence of dealing with a well-specified building at design and build stage is the cost of ongoing maintenance, the access to replacement parts, and the availability of local trades to service, install and support.

This is an on-going dilemma to both Council and operator and is likely to be resolved through the following:

- Development of a comprehensive, not necessarily complex or voluminous, Asset Management Plan which recognises both maintenance and renewals options, along with options for retrofitting poorly performing components such as the plumbing systems. This is the responsibility of Council, with operator input, and is critical in informing the Long Term Plan to provide a further means of consultation along with operational transparency;
- A cessation to the current practise of “tinkering” to resolve mechanical or equipment issues. While well intentioned, this masks the inevitable, often compounds the issues, and delays the opportunity to remedy cost-effectively; and
- Transparency in the cost and consequence of maintenance and upkeep, along with the provided rationale as to the cost of service. A minority call for “free access” to the facility on the basis that it is a community service, should be countered with the rationale around cost of service and its funding options and therefore value offering, i.e. the impact on rates or the challenges of the lottery of Grant Funding. Long Term Plan consultation is a good mechanism for this but so too is upfront and transparent community engagement.

The genesis of this facility was to provide a hub for community engagement, gathering, and wellbeing; the focus very much on “Community” forming its name. While a community focus remains valued and generally appreciated, the passage of time has resulted in a loss of identity.

The Centre still gathers community, but it does so through (aquatic) sport, recreation, health and wellbeing, and these drivers and attributes are blatantly missing from its brand. The impact of this is a failure to stress to the community the purpose of the complex, and also a failure to attract new members, subscribers and users from both the local and transient / tourist population.

The determination of brand values is a responsibility of Council. The support and demonstration of those values and brand structures sits with the operator, in this case Sport Hawke’s Bay.

3. Operating Model

Current Operating Model

The Wairoa Community Centre was built in approximately 2006 by Wairoa Community Trust with the purpose of providing a first-class recreational and sporting facility to benefit the residents of Wairoa. However, notwithstanding the long-term maintenance and renewal profile required, the operational cost to service this \$4million facility proved greater than that able to be sustained by the Trust, with ownership of the facility transferred to Wairoa District Council in July 2012. This transfer was unexpected and therefore unplanned by Council. However, passing years has not resulted in a formalised embrace of this asset and therefore any reference to its maturity lifecycle costs.

To enable on-going community value, Sport Hawke's Bay, which had held the operating contract since 2006 under the Wairoa Community Trust, was contracted by Wairoa District Council to undertake day-to-day management of the facility with responsibility for all fees and revenues and associated operational cost.

Wairoa District Council, as asset owner, has responsibility for all facility maintenance and renewals, although no formal asset or facility management plan is currently in place. An assessment of the 30-year maintenance schedule was carried out in 2013 although there is little evidence that this is being generally or specifically adhered to.

Operating Model Options

The following options have been considered through this review process:

1. Close the facility permanently or reduce its accessibility for extended time periods;
2. Maintain the intent of the current contract with Sport Hawke's Bay's responsibility for all revenues and surplus and/or loss;
3. Transfer the day-to-day operational responsibility to Council, or to Council's alternate selected service provider;
4. Redefine and agree a revised governance and operational model between Council and Sport Hawke's Bay ensuring institutional knowledge and capability is retained.

These options will be explored below as Options Assessment.

Options Assessment

The following commentary further expands on the Operating Model Options as summarised above:

1. Close the facility permanently or reduce its accessibility for extended time periods:

This option has not been signalled by either Council or Sport Hawke's Bay but must be an option in a community naturally grappling with issues of affordability against a relatively low population base and a Council always cognisant of the cost of servicing the community effectively and efficiently. The Wairoa Community Centre would be considered a jewel in any provincial New Zealand town and there is a cost to servicing, maintaining and providing this facility likely beyond the, then, Council's expectation as an unexpected beneficiary of this asset.

Partial shut-downs for extended periods would likely serve little in reducing operating costs. Staff cannot be turned on and off, and new recruits require training and development; utility costs remain largely unaffected as the cost of reheating the pools need to be factored against the cost of regulating current temperatures; additional impact of equipment stand-downs and re-starts on filtration systems, pool coatings etc. would need to be robustly quantified but anecdotally would likely come close to maintaining current operational costs.

Shutting down the smaller ‘learn to swim’ pool, while allowing some relief in staff and utility costs, will have a reputational impact on level of service reduction and community dissatisfaction reflected at both the service operator and Council.

2. Maintain the intent of the current contract with Sport Hawke’s Bay’s responsibility for all revenues and surplus/loss:

While possible for the period of the current contract, a hard-line approach to enforcing contract terms over relationship would appear to be short-sighted unless it served the purpose of either party in accelerating the demise of the contract with Sport Hawke’s Bay and exiting their operational management of the facility. Sport Hawke’s Bay, while clearly aware of their financial exposure at the time of entering into the Service Agreement, has not adequately anticipated changes in costs and pressures on revenues. Their business is stated as not being facility management but, regardless of that, in subscribing to this management contract they should have recognised the additional responsibilities of such a venture and adjusted their core business model and expectations accordingly.

Prior to their relationship commencing with Wairoa District Council in 2012 Sport Hawke’s Bay had 6-years of running the facility for the Wairoa Community Trust. With a twelve year total operating timeframe it would be a stretch to consider this non-core.

For a Trust, as Sport Hawke’s Bay is, the role is to generate funding and revenue streams to execute programmes and community support and therefore is not intended to be a financial benefactor to the extent of sustaining operating losses. The consequence of maintaining the contract or Agreement in its current form will likely see Sport Hawke’s Bay naturally exit at some point, with this likely sooner rather than later given the expiry of the existing Agreement mid-2021.

The operative Service Agreement currently concludes on 30 June 2021 and a renegotiation of all terms will be required in early 2021. If the intent of this process is to enforce the current Service Agreement, that will require specifying the responsibility for additional funding.

3. Transfer the day-to-day operational responsibility to Council, or to Council’s alternate selected service provider:

This option could be triggered as a consequence of option 2, above, playing out either intentionally or through inaction.

The management and operation of an aquatic recreation facility is specialised in terms of both general and specific compliance; qualified staffing; facility maintenance; and scheduling. It is unlikely that Council has the capacity or capability to assume day-to-day management and therefore will need to factor additional cost to service. Considerations such as Minimum versus Living Wage Rates will have an immediate and further detrimental impact on costs. Irrespective, there are changes to the line management and hierarchy required of the current operator and these would be no different to expectations of any other provider.

Should an alternative service provider be considered, Council will be aware that:

- A commercial operator will have clear and reasonable expectations around Return on Investment or minimum Profit margins which will likely require an increase in fees, and therefore eventual reduction in membership, or a reduction in service levels, or both.
- Any trust interested in taking up this contract will have similar expectations as Sport Hawke's Bay intends. Council will also be mindful that their involvement in this facility and service came about through the default of the establishing Trust and the transfer of the Asset to Council. Council will be cognisant of its role in ensuring, or at least supporting, financial viability of its partner so as to lessen any future impact of "failure" and therefore promote a sustainable venture. In its current state, this venture is not sustainable.

4. Redefine and agree a revised governance and operational model between Council and Sport Hawke's Bay ensuring institutional knowledge and capability is retained:

There is a desire from Sport Hawke's Bay to work in good faith to maintain their involvement in the management and operation of the Wairoa Community Centre. There is also a desire by Council to achieve community outcomes through the efficient operation of this Centre which does not require them to be "hands on" in its operation.

Covid-19 has played a part in exposing the financial risks of this facility but more significantly is the highlight of a failure by all stakeholders to engage in a structured process where the accountabilities, responsibilities and expectations of all parties are agreed and monitored.

Any of the options noted will require the establishment of a governance body tasked with aligning the community drivers required of Council with the efficient processes, structures and measures required of any capable and committed operator.

For convenience, the relationship has been undertaken and reported as a typical Council annual update, similar to Libraries, Roading, Water and Refuse and Recycling.

The nuances and complexities of this community infrastructure require a more directed and corporate-type governance undertaking and commitment, along with a clear demarcation between asset owner (and the responsibilities of maintaining that asset) and service operator (including the responsibilities for funding and delivering a sustainable business model).

5. Section 17A Findings & Recommendations

Findings

1. The current service provision is considered to be efficient in terms of a focus on financial cost control. Part time staff are remunerated largely based on the minimum wage and careful regard is made prior to any expenditure on promotion, maintenance or general expense. In a community facing the typical pressures of service and infrastructure affordability, the stewardship around financial expenditure is very considered and controlled. Sport Hawke’s Bay has not levied any management fee including HR and back-office expenses, which would normally feature in such a Service Agreement and yet had committed to retaining and paying all staff over Covid-19 restrictions in spite of their non-eligibility to the wage subsidy.

While cost efficient, there is scope to improve the financial viability of the Community Centre through a coordinated approach to third party funding options, notably at a local iwi and corporate level, along with past and current patrons; to focus on targeted promotion; and to engage in robust planning, notably around business development and promotion.

2. A level of operational comfort has led to an element of complacency as a consequence of a long history of no major issues or problems. Key Performance Indicators have shown consistent trending against somewhat generic descriptors. The impact of Covid-19 has led to a major decline in membership revenue against a consistent cost base. However, this pandemic fatigue is merely symptomatic of a suite of issues that should be addressed in order to transition this Centre from cost efficient to operationally effective in all its facets.

Recommendations

3. The Wairoa Community has expressed confidence in the Wairoa Community Centre as adding value based on cost of service. However, in the absence of a well-articulated purpose and rules of engagement, there is little consistency as to how that value is assessed or delivered. There needs to be no defence around “free” services, rather a clear understanding as to the cost of service provision under various operating models with this made clear to the community. **There is need to initially understand the cost and value relationship, and to translate that understanding into the public domain.**
4. The relationship between Wairoa District Council as asset owner and Sport Hawke’s Bay as facility operator is poorly defined and therefore delivered. Financial pressures attributed to Covid-19 challenges have highlighted pressures which should have been apparent despite the pandemic. The past cannot be altered but these lessons should serve as a platform from which a relationship is formed and develops with the expectation of frankness, accessibility and community centricity. **The future structure requires a governance model that operates with an understanding of commercial drivers and challenges** and extends itself beyond the security of traditional local government or NGO remits.
5. The operative Service Agreement outlines responsibilities but fails to reinforce accountabilities. Linked to relationship development is the **need for concise and clear accountability between asset owner and operator including funding obligations, asset stewardship**, etc. Given the Service Agreement is due for renewal, renegotiation, or other, linked to the 2021/2022 financial year it would be prudent to consider this as a **refreshed partnership**.

6. There appears to be a management disconnect and therefore poor alignment between Sport Hawke's Bay Management and Wairoa Community Centre Management. Facility Management not being "core service" is no defence with this having been core service for over a decade. Now is the opportunity for Sport Hawke's Bay executive to engage with centre management and staff as an integrated business, rather than as a disenfranchised satellite. **Management support, structures, reporting, challenge, accountabilities and approvals** need to be enforced for the protection of staff as well as the ongoing confidence of management.
7. Systemic planning failures will continue to plague this facility and its users until they are addressed. Included here is a succinct and costed to level of service Asset Management Plan with remediation schedules and accountabilities included. This enables community consultation via the LTP process particularly in terms of cost attributes and value expectation. At an operational level, plans for fees and charges determination; business development plans around extending and enhancing service delivery; engagement plans relative to complementary service providers, etc. should be developed to provide the necessary roadmap against which performance can be assessed. **There is merit in going back to first principles in terms of planning, and this is likely to be a joint effort between the two major stakeholders.**
8. The Community Centre is suffering from a lack of identity. The foundation is in the provision of sport, recreation, health and wellbeing to the Wairoa Community but there is no tangible reflection of that purpose in either the facility name or its appearance. Nor is there any celebration of local success within the Centre. Success can be demonstrated as both sporting prowess, but also perseverance and commitment. While the actual delivery remains hidden within a large warehouse and needs to be sought out **there is an opportunity missing in brand visibility and the resulting exposure that this has on membership, participation and user numbers.**
9. Sport Hawke's Bay has sought relief from Council, as primary funder and asset owner, to remedy their current deficit, and to work collaboratively in eliminating any future losses, albeit at the expense of Council. **There are opportunities for Council to provide indirect assistance in cost reductions (power and utilities) as there are for Sport Hawke's Bay to challenge and prove their current operating model around staffing and resourcing** as a cost, and game funding as a viable revenue stream. Additional government or Sport New Zealand funding appears unlikely in the context of Trust allocations, but alternate funding streams (iwi / corporate / past patrons and benefactors) have not been progressed, and should be.
10. Contractually the agreement between Wairoa District Council and Sport Hawke's Bay to manage the Wairoa Community Centre expires on 30 June 2021. A thorough assessment of the options outlined in this review is possible and both parties should have an expectation that post-30 June 2021 the future is planned and appropriate rather than forced and urgent. **Where there is a willingness to work together, as has been signalled, that would be seem to be the logical place to start but involves the willingness to be open and transparent in terms of expectation, and clear and uncompromising in terms of purpose and intent around community outcomes and delivery.**

6. Methodology and Interview List

Review Methodology

The review focussed on if, and how, the current Community Centre arrangement and investments are cost effective, relating to the provisions of Section 17A of the Local Government Act.

The review has been completed using a combination of desk-based assessment of relevant documentation as well as onsite interviews with key Council and Trust management, staff and external stakeholders, with reference to the Community Centre service.

The Wairoa District Council (“COUNCIL”) has requested a Section 17A Review of the Wairoa Community Centre services and estimated cost effectiveness and value for money, with specific emphasis on the current levels of investment and delivery in the context of COVID 19.

The review has taken cognisance of Council’s COVID 19 recovery and new financial envelope and seeks to ensure the Community Centre services align to this new context.

Council has undertaken this review of its current Community Centre investment and service delivery by the Trust to assess cost-effectiveness.

This Section 17A Review of the Community Centre service has covered:

- The level of investment and community return from Council compared to other Hawke’s Bay councils where this is possible; and
- How cost effective and robust the current Trust activity is, and what the opportunities for future improvements are.

Integrated into the Section 17A Review we have been asked to:

- Evaluate the longstanding partnership arrangement between Trust and Council; and
- Consider if and how any additional revenue sources are being targeted and pursued.

A Section 17A Review of the Community Centre has assessed cost effectiveness in service delivery across:

- Council funding and expectations of delivery versus other council funders (respecting and protecting other Trust – Council relationships and arrangements);
- Trust Governance;
- Trust Wairoa Community Centre Management;
- Wairoa Community Centre Service Delivery; and
- Wairoa District outcomes.

The Review has identified opportunities for continuous improvement and provides recommendations based upon opportunities for improved efficiency and cost- effectiveness, as per Section 17A protocols.

Interview List

Wairoa District Council

- Interview elected members and the Mayor.
- Interview CEO.
- Interview key Council SLT and management in the community engagement domain.

Sport Hawke's Bay

- Interview Trust Governance and Chair.
- Interview Trust CEO.

Wairoa Community Centre

- Interview Community Centre management, staff and volunteers.
- Interview Community Centre users and stakeholders.

Other

- Desktop review of third party funding options; and
- Assessment of cost effectiveness of current service provision.

7. References & Appendices

References

1. Sport Hawke's Bay: Request to Wairoa District Council relating to Wairoa Community Centre (3 May 2020).
2. Sport Hawke's Bay Financial Report 2019.
3. Sport Hawke's Bay: Wairoa Community Centre Draft Discussion Paper – Options for Wairoa Community Centre (Internal Board).
4. Sport Hawke's Bay: WCC Profit & Loss.
5. Service Agreement between Wairoa District Council and Sport Hawke's Bay (12 July 2012).
6. Community Centre Fixed Asset and Depreciation Schedule (2012).
7. Wairoa Community Centre 30 Year Maintenance and Assessment Report (2014).
8. Sports Council Minutes 29 June 2020.
9. Wairoa Community Centre Key Performance Indicators – July 2019 to June 2020.
10. Sport Hawke's Bay 2017-2021 Strategic Plan.

Appendix 1: Wairoa Community Centre Operating Statement

| Wairoa Community Centre | | | | | | |
|---|-------------------------------------|------------------|------------------|-------------------|-------------------|-------------------|
| SPORT HAWKES BAY Printed on 06/02/20 at 10:56am | | | | | | |
| Code | Description | 2017 | 2018 | 2019 | 2020 | Budget 2021 |
| REVENUE | | | | | | |
| 1050 | Sponsorship | 9500 | 7500 | 10703 | | 5,000 |
| 1051 | Sponsorship - Sports Awards | 0 | 2500 | 3000 | 1,500 | |
| 1051 | Gaming - Sports Awards | 0 | 0 | 0 | 1,900 | 2,500 |
| 1052 | Gaming Machine | 59420 | 40000 | 15996 | 33,126 | 50,200 |
| 1250 | Donations | 0 | 500 | 435 | | |
| 1285 | Workshop/Activities | 0 | 326 | 0 | | 500 |
| 1410 | Other Contracts | 0 | 0 | 12500 | | |
| 1450 | Fee Income | 219619 | 227877 | 222302 | 211,369 | 203,000 |
| 1453 | Venue/Equipment Hire Income | 9657 | 4824 | 4194 | 3,862 | 4,400 |
| 1456 | League Competition | 8634 | 8218 | 7241 | 4,917 | 7,000 |
| 1457 | Ropes Course | 4062 | 81 | 0 | | 2,500 |
| 1458 | Aerobics | 1880 | 1800 | 2999 | 5,154 | 3,000 |
| 1459 | Access Cards | 1754 | 1577 | 2485 | 1,474 | 1,250 |
| 1480 | Shop Sales | 22968 | 20580 | 19532 | 15,544 | 20,700 |
| 1481 | Wairoa District Council | 239600 | 242965 | 249820 | 253,582 | 258,582 |
| 1518 | Swim School | 19115 | 12491 | 14990 | 15,225 | 17,500 |
| 2150 | Rent | 2500 | 2500 | 0 | | |
| 2186 | Sportsperson Awards | 0 | 2025 | 1985 | | 3,000 |
| 2500 | Interest | 3030 | 4405 | 3574 | 25 | 20 |
| TOTAL REVENUE | | 600642 | 582188 | 571025 | 547538 | 579162 |
| EXPENDITURE | | | | | | |
| 4100 | ACC | 2850 | 2520 | 2844 | 3,020 | 3,600 |
| 4175 | Access Cards | 824 | 1018 | 818 | 764 | 850 |
| 4200 | Advertising | 4078 | 3083 | 1990 | 723 | 3,200 |
| 4250 | Audit Fee | 1500 | | 50 | | |
| 4300 | Bank Charges | 1786 | 1348 | 792 | 820 | 1,000 |
| 4455 | Cleaning & Laundry | 7377 | 5267 | 3464 | 3,958 | 3,500 |
| 4503 | Computer R & M | | 823 | 871 | 348 | |
| 4500 | Depreciation Expense | 13735 | 14090 | 10998 | 9,718 | 12,100 |
| 4501 | Depreciation Expense - Leased | | | 4421 | 4,421 | 4,422 |
| 5850 | Events Contracts | | 473 | | | 0 |
| 5507 | Fitness Centre Equipment | 1534 | 525 | -12 | | 800 |
| 4750 | Gain / Loss on Sale of Asset | | 865 | | | |
| 5596 | Gymnasium Minor Equipment | 1473 | 170 | | 822 | |
| 4650 | Heat/Light/Power | 82133 | 79036 | 102122 | 81,366 | 90,700 |
| 5050 | Interest - Leased Assets - Vehicles | | | 3403 | 2,425 | 2,500 |
| 5151 | Photocopier Leases | 1482 | 1482 | 1210 | | |
| 5150 | Photocopies | 1020 | 1020 | 1025 | | |
| 5583 | Pool Chemical | 14882 | 13438 | 11315 | 10,980 | 8,000 |
| 5200 | Postage | 725 | | 521 | 250 | 300 |
| 5250 | Printing and Stationery | 848 | 845 | 1981 | 1,067 | 1,000 |
| 5401 | Professional Development | 4037 | 4566 | 6324 | | 9,200 |
| 5300 | Professional Fees | | 1289 | | 1,964 | 5,000 |
| 5320 | Promotion/Signwriting | 210 | 1789 | 1158 | | 0 |
| 5301 | Rates | 4414 | 5213 | 4912 | 5,792 | 6,300 |
| 5380 | Refreshments | 899 | 1181 | 518 | 418 | 600 |
| 5400 | Repairs and Maintenance | 10608 | 12072 | 11332 | 10,122 | 9,500 |
| 5420 | Resources/Equip/Library | 812 | 878 | 3185 | 1,867 | 3,800 |
| 5558 | Ropes Course Safety Expenses | 3711 | 1825 | | | 4,000 |
| 5384 | Rubbish Disposal | 499 | 828 | 307 | 188 | 370 |
| 5440 | Salary and Wages | 379854 | 368377 | 418202 | 448,444 | 480,000 |
| 5450 | Security | 423 | 485 | 75 | 580 | 800 |
| 5595 | Shop purchases | 17174 | 15825 | 14192 | 12,480 | 15,000 |
| 5858 | Sportsperson Awards | 1217 | 9770 | 5977 | 2,107 | 7,000 |
| 8001 | Staff Benefits/Wellbeing | 148 | 210 | 178 | 334 | 1,800 |
| 4850 | Staff Functions/Expenses | 1885 | 2259 | 1985 | 1,585 | 3,200 |
| 4451 | Subscriptions | 1885 | 2254 | 2585 | 2,288 | 3,100 |
| 4800 | Team Building | | | 87 | 200 | 850 |
| 5500 | Telephone Tolls | 5823 | 5781 | 5834 | 6,901 | 7,250 |
| 5884 | Travel Expense | 257 | 348 | 281 | | 500 |
| 5546 | Uniforms | 389 | | 885 | | 500 |
| 5540 | Vehicle Running/Insurance | 1280 | 1251 | 3090 | 2,974 | 3,500 |
| 5580 | Venue Hire | 174 | 200 | | 350 | 350 |
| 5582 | Website | | | 815 | 680 | 800 |
| 5581 | Workshop/Activities/Events | 2183 | 1459 | 8320 | 2,821 | 2,000 |
| TOTAL EXPENDITURE | | 573688 | 564417 | 636828 | 621861 | 678702 |
| NET INCOME | | \$ 26,954 | \$ 17,771 | (\$65,803) | (\$74,323) | (\$98,540) |



2017-2020 STRATEGIC PLAN

| | | | |
|---|---|---|---|
| <div style="border: 2px solid #00aaff; border-radius: 50%; width: 100px; height: 100px; margin: 0 auto; display: flex; align-items: center; justify-content: center;"> <div style="text-align: center;"> <h3 style="margin: 0;">VISION</h3> <p style="font-size: 8px; margin: 0;">We know the future we want</p> </div> </div> <p style="font-size: 8px; margin-top: 10px;">Our Hawke's Bay community has a life-long love of sport and physical activity</p> | <div style="text-align: center; margin-bottom: 10px;">  </div> <div style="border: 2px solid #00aaff; border-radius: 50%; width: 100px; height: 100px; margin: 0 auto; display: flex; align-items: center; justify-content: center;"> <div style="text-align: center;"> <h3 style="margin: 0;">ACTIVE LIFESTYLES</h3> </div> </div> <p style="font-size: 8px; margin-top: 10px;">We will INSPIRE the Hawke's Bay community to engage in greater levels of physical activity</p> | <div style="text-align: center; margin-bottom: 10px;">  </div> <div style="border: 2px solid #00aaff; border-radius: 50%; width: 100px; height: 100px; margin: 0 auto; display: flex; align-items: center; justify-content: center;"> <div style="text-align: center;"> <h3 style="margin: 0;">COMMUNITY SPORT</h3> </div> </div> <p style="font-size: 8px; margin-top: 10px;">We will SUPPORT Regional Sports Organisations, Schools and Clubs to run sport more effectively</p> | <div style="text-align: center; margin-bottom: 10px;">  </div> <div style="border: 2px solid #00aaff; border-radius: 50%; width: 100px; height: 100px; margin: 0 auto; display: flex; align-items: center; justify-content: center;"> <div style="text-align: center;"> <h3 style="margin: 0;">REGIONAL LEADERSHIP</h3> </div> </div> <p style="font-size: 8px; margin-top: 10px;">We will INFLUENCE key stakeholders to develop and enhance the sport and active recreation sector</p> |
| <div style="border: 2px solid #00aaff; border-radius: 50%; width: 100px; height: 100px; margin: 0 auto; display: flex; align-items: center; justify-content: center;"> <div style="text-align: center;"> <h3 style="margin: 0;">MISSION</h3> <p style="font-size: 8px; margin: 0;">We know what we're working for</p> </div> </div> <p style="font-size: 8px; margin-top: 10px;">To create a healthy, vibrant community by supporting our people to be more physically active</p> | <p style="font-size: 8px; margin-bottom: 5px;">INDIVIDUALS & FAMILIES <i>Inspiring and supporting individuals and families to achieve better health through a more active lifestyle</i></p> <p style="font-size: 8px; margin-bottom: 5px;">ORGANISATIONS <i>Inspiring and supporting groups and organisations, such as marae, workplaces and community groups to promote physical activity and the benefits of an active lifestyle</i></p> <p style="font-size: 8px; margin-bottom: 5px;">ACTIVITIES <i>Supporting deliverers of events and physical activity programmes and where necessary deliver community initiatives</i></p> <p style="font-size: 8px; margin-top: 10px;">SUCCESS WILL MEAN... <i>We are recognised by the community as being a significant catalyst in getting more people, more active, more often.</i></p> | <p style="font-size: 8px; margin-bottom: 5px;">SPORT WORKFORCE <i>Working with sporting organisations to help them develop an appropriately skilled workforce including coaches, officials and administrators</i></p> <p style="font-size: 8px; margin-bottom: 5px;">SCHOOL SPORT <i>Supporting the provision of positive and meaningful opportunities for sport and physical activity in the school environment</i></p> <p style="font-size: 8px; margin-top: 10px;">SUCCESS WILL MEAN... <i>We are recognised by the school and sport community as significantly enhancing the sport system.</i></p> | <p style="font-size: 8px; margin-bottom: 5px;">INFLUENCE & ADVICE <i>Providing independent advice to influence key regional stakeholders in relation to the development of the sector</i></p> <p style="font-size: 8px; margin-bottom: 5px;">FACILITIES <i>Working with key regional stakeholders to identify facilities needs for the sector and to best match resources with those needs</i></p> <p style="font-size: 8px; margin-top: 10px;">SUCCESS WILL MEAN... <i>We are recognised by key stakeholders as improving the quality of decision making on key regional issues affecting the sector.</i></p> |
| GUIDING PRINCIPLES: CHILDREN ARE OUR FUTURE PARTICIPANT NEEDS COMES FIRST GENUINELY ENGAGE MAORI | | | |