



NAPIER
CITY COUNCIL
Te Kaunihera o Ahuriri

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FINANCE COMMITTEE

Open Agenda

Meeting Date: Tuesday 6 August 2019

Time: 3pm

Venue: Council Chamber
Hawke's Bay Regional Council
159 Dalton Street
Napier

Committee Members Councillor Wise (In the Chair), Acting Mayor White, Councillors Boag, Brosnan, Dallimore, Hague, Jeffery, McGrath, Price, Tapine, Taylor and Wright

Officer Responsible Director Corporate Services

Administration Governance Team

ORDER OF BUSINESS

Apologies

Mayor Dalton, Acting Mayor White and Councillor Dallimore

Conflicts of interest

Public forum

Nil

Announcements by the Chairperson

Announcements by the management

Confirmation of minutes

That the Minutes of the Finance Committee meeting held on Tuesday, 25 June 2019 be taken as a true and accurate record of the meeting.10

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AGENDA ITEMS

1. BAY SKATE FEES AND CHARGES - SUPPORTING INFORMATION

<i>Type of Report:</i>	Information
<i>Legal Reference:</i>	N/A
<i>Document ID:</i>	785059
<i>Reporting Officer/s & Unit:</i>	Glenn Lucas, Manager Sport & Recreation

1.1 Purpose of Report

The purpose of this report is to provide the rationale for the proposed fees and charges increases for Bay Skate for the 2019/20 financial year.

Officer's Recommendation

The Finance Committee:

- a. Note that the proposed fee increase are proposed as part of a wider piece of work to increase revenue generated by Bay Skate and therefore minimise the impact to ratepayers
- b. Approve the Bay Skate fees and charges increases as per the fees and charges proposal.

Chairperson's Recommendation

That the Council resolve that the officer's recommendation be adopted.

1.2 Background Summary

The Bay Skate fees and charges proposal for the 2019/20 financial year featured some recommended changes to specific fees and charges. These recommended changes were as a result of a Revenue Review completed by Business Transformation with Bay Skate management.

These recommended changes were:

- Increase the annual membership fee from \$25 to \$40 per year
- Increase venue hire from \$10 to \$30 per hour
- Introduce a new charge for learn to skate
- Introduce a new charge for school programmes/visits
- Introduce a new charge for birthday parties

Through the fees and charges process there was limited ability to provide detailed rationale supporting the recommendations. This document provides that rationale in response to questions raised during the Council meeting.

1.3 Issues

Context

Bay Skate has existed as a facility for about 2.5 years. In that time the facility has established an operating model, continued to work on developing the asset and importantly established a culture among customers.

As NCC had not run a rollersports facility before, and the improved size and breadth of offer from the previous SkateZone this was truly a 'start up' facility. As with any start up, assumptions are made during the planning stage that need to be tested and refined against real life learnings from actual operations.

As part of this planning, consistent with NCC's Revenue and Financing Policy and in accordance with the Local Government Act 2002, it was agreed by Council that the source of funding for Bay Skate is categorised as 'medium' facility. This category reflects the balance of 'Community outcomes to which an activity contributes' and the 'distribution of the benefits between the community as a whole, identifiable parts of the community and individuals'. The medium category for Bay Skate means that the facility needs to comprise between 40-59% of its operating funding from its users through Fees and Charges.

Actual results during the three financial years that Bay Skate has existed are 52% during the half year in 2016/17, 49% in 2017/18 and 37% in 2018/19. The actions from the Revenue Review are collectively aimed at bringing the cost recovery back within the targeted range for 2019/20.

We now have 2.5 years of data, financials and information around performance, customer behaviour, asset information, resource and skill requirements and the value of the service we provide. This combined learnings and information have recently led to two important and interdependent pieces of work: a refresh of the Bay Skate Strategic Plan and the completion of a Revenue Review.

The Revenue Review was performed with Bay Skate to deliver on NCC's financial strategy and goals as outlined in the 2018-28 Long Term Plan:

Financial Strategy

- To increase the council's income by seeking better performance from the Council's commercial investments and activities
- To manage the size and scale of new community facilities in a way that ensures Council continues to retain sufficient financial capacity going forward.

Financial Goals

- To seek and improve tourism focused activities for maximum returns.
- To increase community contributions (i.e. fundraising) for new, large, community, recreational, sporting or cultural facilities, and their renewal, to a minimum of one third of the total project costs.

Value of the service

In striving to create 'a rollersports community that people want to be a part of', Bay Skate has established a resourcing model that has at least two staff working during hours that are open to the public. This resourcing model comprises a large percentage of the costs of operation, but helps to ensure value by:

- Managing the physical safety of customers – rollersports is a risky activity and having trained staff to respond to incidents is critical.
- Providing parental piece of mind – creating a positive culture where parents can be confident that their children are not exposed to bullying, poor behaviour of others and the presence of drugs and alcohol.
- Managing the quality of the asset – planning and implementing asset developments large and small to provide the infrastructure required for riders of all ages and stages.
- Managing the activities that bring people to the facility– including formal and informal coaching, development programmes, events, birthday parties, holiday programmes, and rollersports training and competitions.

Accordingly, Bay Skate's 'competitors' are not just the free skate parks such as Anderson Park or Hastings Skate Park, but other recreational activities and facilities such as Flip Out, Lazer Force or similar. It is worth noting that the cost of entry for Bay Skate is considerably less than these activities.

The customers and parents of customers receive the benefits of the service that we provide, and according to NCC's Revenue and Financing Policy should be contributing to between 40-59% of operating costs through fees and charges.

While there are benefits that the facility delivers to the community as a whole, the majority of the benefits are delivered to direct users and parents of users. This is reflected in elected member discussions during the recent funding review, and substantiates the 'medium' rating under NCC's Revenue and Financing Policy for Bay Skate.

The focus has been very much on operating the facility – and effectively working in the business rather than on the business. There is considerable work that can be performed to maximise the community and customer benefit that can be delivered by Bay Skate, but new initiatives and programmes require time to develop.

Proposal

The Revenue Review that Bay Skate is currently implementing includes a number of different streams to improve the financial sustainability and viability of the facility. The project is far more than just increasing the membership and rental charges. Also included is:

- Programming – including Learn to Skateboard, rollerskate and rollerblade, pre-school programmes, and schools programmes
- Birthday parties
- Events – including rollersports competitions, school end of year events and Inline Hockey
- Retail – development of a retail strategy to fill a gap in the Napier market for rollersports equipment and consumables combined with expertise. ('organic' retail expansion over the last year has led to a doubling in retail revenue)
- Facility hire

The Bay Skate team are currently working on the planning and implementation of the actions within the Revenue Review.

The components of the Fees and Charges proposal are related to the membership charges and rental charges.

Currently membership per year is \$25. This membership fee entitles members to access the facility for \$4 per visit, instead of the \$6 per visit that all other visitors are charged. This means that members recoup their membership fee within 13 visits.

The proposal is to increase the annual membership charge to \$40, an increase of \$15 over a year. There are no increases to the entry fees per visit, nor to hire equipment charges. This increase is projected to deliver an increase in revenue of between \$2,500 and \$4,000. While this may not seem like a significant figure, Bay Skate's revenue per year is \$190,000. In this context the projected revenue from all of the strands of the revenue review, including the membership fee increase, will enable these targets to be achieved and surpassed.

The fees and charges proposal was discussed during the Council meeting on 4 June 2019. During this session questions were asked around reducing the cost of entry from \$4 to \$2. The rationale provided for this suggestion was the affordability for users.

The existing operating system employed at Bay Skate does not enable a more sophisticated membership and pricing structure that could enable a flat membership fee per year with no additional access charges. We have however signed an agreement for a new system across Bay Skate and Napier Aquatic Centre that will enable a more appropriate membership and pricing structure that we will look to develop during this financial year.

During last year's round of fees and charges Council approved some amendments to the entry fees, removing the adult charge of \$9 per visit and simplifying the entry fee structure.

The impact of deprivation to participation

The reality is that there will be kids and families to which the entry charges for Bay Skate will be a barrier to participation. Even if Bay Skate had in place more detailed data on the demographics of existing users, the amount of young people affected by this barrier is unable to be quantified without significant qualitative research of who is not coming to Bay Skate and the reasons why.

The balance we are striving to strike as a Council facility that needs to balance community delivery with the 'commercial' realities of generating sufficient income to recover 40-59% of operating costs.

The solution to this however, is not a blanket reduction in what is already a very affordable charge for most of our community. This would be a very blunt instrument meaning all visitors regardless of means are charged a discounted price, and would result in ratepayers that do not benefit directly from the facility picking up the funding shortfall.

Rather than dropping the price of entry for all people who come through the door (based on 2018/19 financials revenue would reduce by approximately \$50,000) the recommendation to help those people to which price excludes their ability to participate is through targeted programmes and initiatives. Bay Skate has been doing this to a degree since it has opened, through programmes with Big Brother and Sister, support of Maraenui Donations holiday programme, and case by case support of specific young people in return for the performing of small jobs around the facility. Support of and implementation of the revenue review and all its component 'strands' will enable it to do

even more of these targeted initiatives with schools, community groups and government agencies.

The focus is on delivering community benefits to those that need it the most. This is the most effective way to reduce price barriers for those to which they rule out participation, while also balancing the business side of the Bay Skate.

1.4 Significance and Engagement

N/A

1.5 Implications

Financial

Approval of the recommended fees and charges increases is projected to deliver between \$2,500 and \$4,000 of additional revenue.

There are no costs associated with the fees and charges increases.

Social & Policy

As discussed above, implementation of the revenue review actions and the corresponding improvement in operational results will enable Bay Skate to move further into delivering targeted programmes and interventions to those in our community to which price of entry is a barrier to participation.

Risk

There is a slight risk of a reduction in membership numbers due to the increase in membership fees, though the increase of \$15 is spread over a year and enables members to access a \$2 saving per visit, so the payback period is short.

1.6 Options

The options available to Council are as follows:

- a. Approve the Bay Skate fees and charges increases as per the fees and charges proposal
- b. Leave the fees and charges at current levels.

1.7 Attachments

Nil

PUBLIC EXCLUDED ITEMS

That the public be excluded from the following parts of the proceedings of this meeting, namely:

AGENDA ITEMS

1. Property Sales
2. Parking Property Aquisition

The general subject of each matter to be considered while the public was excluded, the reasons for passing this resolution in relation to each matter, and the specific grounds under Section 48(1) of the Local Government Official Information and Meetings Act 1987 for the passing of this resolution were as follows:

General subject of each matter to be considered.	Reason for passing this resolution in relation to each matter.	Ground(s) under section 48(1) to the passing of this resolution.
1. Property Sales	7(2)(i) Enable the local authority to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations)	48(1)A That the public conduct of the whole or the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding would exist: (i) Where the local authority is named or specified in Schedule 1 of this Act, under Section 6 or 7 (except 7(2)(f)(i)) of the Local Government Official Information and Meetings Act 1987.
2. Parking Property Aquisition	7(2)(b)(ii) Protect information where the making available of the information would be likely unreasonably to prejudice the commercial position of the person who supplied or who is the subject of the information 7(2)(h) Enable the local authority to carry out, without prejudice or disadvantage, commercial activities	48(1)A That the public conduct of the whole or the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding would exist: (i) Where the local authority is named or specified in Schedule 1 of this Act, under Section 6 or 7 (except 7(2)(f)(i)) of the Local

	7(2)(i) Enable the local authority to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations)	Government Official Information and Meetings Act 1987.
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FINANCE COMMITTEE

Open Minutes

Meeting Date: Tuesday 25 June 2019

Time: 3pm-3.06pm

Venue Council Chamber
Hawke's Bay Regional Council
159 Dalton Street
Napier

Present Councillor Wise (In the Chair), Acting Mayor White, Councillors Boag, Brosnan, Dallimore, Hague, Jeffery, McGrath, Price, Tapine, Taylor and Wright

In Attendance Chief Executive, Director Corporate Services, Director Community Services, Director City Services, Director City Strategy, Manager Communications and Marketing, Manager People and Capability, MTG Director, Manager Community Strategies, Senior Advisor Policy, Communications Specialist

Administration Governance Team

Apologies

Councillors Boag / Hague

That the apology from Mayor Dalton be accepted.

Carried

Conflicts of interest

Nil

Public forum

Nil

Announcements by the Acting Mayor

Nil

Announcements by the Chairperson

Nil

Announcements by the management

Nil

Confirmation of minutes

Councillor Price / Acting Mayor White

That the Minutes of the meeting held on 14 May 2019 were taken as a true and accurate record of the meeting.

Carried

AGENDA ITEMS

1. NAPIER CITY COUNCIL REMUNERATION POLICY

Type of Report: Legal and Operational

Legal Reference: Local Government Act 2002

Document ID: 757537

Reporting Officer/s & Unit: Sue Matkin, Manager People & Capability

1.1 Purpose of Report

The purpose of the Remuneration Policy is to provide principles to guide the setting of remuneration for Napier City Council employees.

At the Meeting

The Manager People and Capability spoke to the report, noting that the Remuneration Policy (Policy) is reviewed every three years and that the proposed changes are aimed at demonstrating a transparent and fair approach to determining remuneration for Council staff. The guiding principles outlined in the Policy are intended to assist staff and management to understand how remuneration is set.

In response to questions from Councillors, the following points were clarified:

- The Policy does allow room for collective bargaining.
- The Policy and remuneration framework have been developed in conjunction with input from the Unions.
- This work also follows a staff survey, with a 59% response rate, that will lead into reviews in other areas also. Part of the staff engagement was around pay.
- The Policy does not preclude the Living Wage being considered by Council in the future.
- Reviews of the remuneration framework will be aligned with reviews of the Policy.

Committee's recommendation

Councillors Brosnan / Boag

The Finance Committee:

- a. Endorse the Officers recommendation for Council to adopt the Remuneration Policy 2019-22

Carried

2. HAWKE'S BAY MUSEUMS TRUST STATEMENT OF INTENT 2019 - 2021

<i>Type of Report:</i>	Legal and Operational
<i>Legal Reference:</i>	Local Government Act 2002
<i>Document ID:</i>	761617
<i>Reporting Officer/s & Unit:</i>	Chris Denby, Finance Accountant

2.1 Purpose of Report

To receive the final Statement of Intent 2019 – 2021 for the Hawke’s Bay Museums Trust to Council required for reporting requirements for Council-Controlled Organisations.

At the Meeting

The report was taken as read. There was no further discussion on this item.

Committee's recommendation

Councillors Taylor / Hague

The Finance Committee:

- a. Receive the final Hawke’s Bay Museums Trust Statement of Intent 2019 –2021

Carried

The meeting closed at 3.06pm.

Approved and adopted as a true and accurate record of the meeting.

Chairperson

Date of approval