

Napier Multi-Use Sports Facility

Detailed Business Case

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NAPIER
CITY COUNCIL
Te Kaunihera o Ahuriri

> investment outline

This business case proposes that the Napier City Council invests \$7.7 million in a regional multi-use indoor sports facility that incorporates a velodrome. The new facility is estimated to cost a total of \$22.9 million, with the balance of the funding coming from corporate sponsorship, philanthropic trusts, government funding and public donations.

Sporting participation is growing in Hawke's Bay. For some sports, however, there are challenges with demand exceeding the supply of suitable facilities, particularly at peak times, and with existing facilities lacking the size and flexibility to cope with regional and national tournaments. A number of sporting codes have expressed interest in making use of additional space and capabilities, including futsal, volleyball, cycling and basketball.

Lifting sporting and recreational participation rates in Hawke's Bay is an important objective for this investment. There is evidence that Hawke's Bay lags the rest of the country in longevity and other key health outcomes; likewise, there is a large body of evidence that shows that simply being more active results in immediate and significant health improvements. In addition, sporting and recreational participation improves individual mental health and community social cohesion.

The Council expects substantial direct and indirect benefits to flow from the investment. The construction project itself is expected to produce \$3 of regional GDP impact for every dollar spent, in accordance with national and international benchmarks.

In addition, there are direct GDP benefits that will accrue from increasing visitor numbers to Hawke's Bay for sporting tournaments and other events. Around 11,500 extra visitor nights every year are projected, which will increase the region's GDP by around \$3.6 million per annum.

Indirect benefits from the investment include better health outcomes for people participating in sport and recreation, and increased community well-being and cohesion. Improving these factors is part of the Council's responsibility under the Local Government Act and is in line with the objectives outlined in its Long Term Plan 2015-2025.

The issues and options assessed as part of the business case have been derived from consultation with the various sporting codes to ascertain the likely level of demand for a new facility. Consultation with the community on the initial proposals occurred as part of the Council's Long Term Plan process, and ongoing discussion with local Iwi has demonstrated strong support for the proposal, given Māori over-representation in the poor health and longevity outcomes for the region.

Based on the demand from various sporting codes, a design has been proposed that has central court space, a raised velodrome track around the outside, raised spectator seating, and supporting administrative and storage facilities underneath the track space. The design is intended to address the needs of the currently expanding sporting codes whilst retaining a high degree of flexibility as the community desire for different sporting and recreational activities evolves in the future.

In addition, the facility has been designed to accommodate a wide range of other activities. These include trade shows and exhibitions, with the intention that they will not compete for space with existing sporting fixtures wherever possible.

After evaluating a wide range of options for the configuration and location of the multi-use facility, it is proposed that it be positioned on Council land adjacent to Pettigrew Green Arena. This location provides easy access for the largest number of people in Hawke's Bay, has synergies with the current indoor sports facilities, and allows EIT to use the facilities to improve educational outcomes for its students. It is proposed that the resulting facility is co-managed with the Regional Indoor Sport and Events Centre Trust, which is the charitable trust that operates the Pettigrew Green Arena. The details of how this might operate in practice will be discussed and agreed as part of the project.

To date the Council has completed the initial feasibility investigations and an Indicative Business Case (IBC). Following the first business case, consultation with the community was undertaken as part of the Long-Term Plan 2015-2025 (LTP 2015-25) process, and on the basis of the submissions and its deliberations the Council decided to proceed with the Detailed Business Case – this document.

Constructing the proposed facility is likely to take around three years, including a six-month long design process. To ensure

the project is delivered on time and within budget, early contractor involvement is planned. This multi-stage process will involve the identified designers and builders working collaboratively with the Council and each other to optimize the design and minimize risks. At various stages in the process the Council has the option to cancel contracts or cancel the entire project if it does not meet its milestones or objectives.

While no project of this size and scope is without risk, the Council has worked hard to ensure that the delivery risks (such as time and cost over-runs) and the outcome risks (such as people not using the completed facility) have been minimized, and are being effectively mitigated through the construction and operation periods.

In order to ensure the proposed project proceeds according to plan, a comprehensive project management approach is being used, along with best-practice commercial management. The procurement process in particular has been subjected to independent assessment to verify that it is fit for purpose and in accordance with the Council's procurement policies.

The investment as proposed is affordable for the Council.

This document describes the problems being addressed, assesses the options for and benefits of resolving them, and proposes a pragmatic way forward. It follows the NZ Treasury-endorsed Better Business Case format.

Methodology

This business case follows the New Zealand Treasury best practice Better Business Case methodology, and is organised around the five case model to demonstrate that the investment:

- is supported by a robust case for change – the 'strategic case'
- optimises value for money – the 'economic case'
- is commercially viable – the 'commercial case'
- is financially affordable – the 'financial case'
- is achievable – the 'management case'

The purpose of the Detailed Business Case is to:

- revisit the case for change and the preferred way forward identified in the previously prepared Indicative Business Case for the proposed Hawke's Bay velodrome
- establish the option which optimises value for money
- outline the investment required and assess affordability, and
- demonstrate that the proposed project is deliverable.

The difference between the Indicative Business Case and Detailed Business Case is that the Indicative Business Case considers an indicative or preferred way forward, makes a recommendation to proceed with more detailed assessment of the short-listed options and to engage with market suppliers.

The Detailed Business Case considers the arrangements needed for the successful implementation of the preferred option, and includes more accurate identification of capital and operational costs associated with the facility, as well as the financial and non-financial benefits that will accrue. The Detailed Business Case will support a decision by the Napier City Council on whether to proceed with the investment.

The projected financial performance set out in this Detailed Business Case represents assumptions and expectations, which are based on currently available information. These involve risks, variables and uncertainties, so actual financial performance may differ from those projected, because events and circumstances do not always occur as expected. Those differences may be material, so investment decisions should be made accordingly.



Strategic Case

Making the case for change

The proposed investment involves the construction of a regional multi-use sports facility that incorporates a velodrome by the Napier City Council (NCC). The facility has an estimated capital cost of \$22.9 million, of which the Council will fund \$7.7 million, with the balance being sought from external fundraising and sponsorship. Construction of the facility will also commit the Council to on-going operational funding.

To date the Council has completed the initial feasibility investigations and an Indicative Business Case (IBC). Following the first business case, consultation with the community was undertaken as part of the Long-Term Plan 2015-2025 (LTP 2015-25) process, and on the basis of the submissions and its deliberations the Council decided to proceed with the Detailed Business Case – this document. The completed business case and its supporting material, including detailed designs and costings, will be presented to the Council for a final decision on the proposed investment.

There have been changes since the Indicative Business Case

Following public feedback from the LTP 2015-25 consultation process and discussions with sports bodies, stakeholders and potential funders, the scope of the proposed investment has evolved from what was first proposed in the Indicative Business Case. The scope of the original IBC included:

- Construction of a velodrome that meets an appropriate category for recreational, club and competition cyclists;
- Construction of additional sporting facilities within the velodrome area to fully utilise the available space;
- Construction of ancillary support facilities such as changing rooms, toilets and car parking.

The Local Government Act 2002 charges the Council with the responsibility to provide good-quality¹ infrastructure – which is defined as efficient, effective and appropriate to present and anticipated future circumstances – in a way that is most cost-effective for households and businesses. In light of this responsibility, the Detailed Business Case revisits the key assumptions for the facility, to ascertain whether the proposed facility creates the best value for the investment and is the most cost-effective outcome for the community.

Since the IBC was developed, the Hawke's Bay Regional Sport Facilities Plan (HBRFP) has also been developed and endorsed by Hawke's Bay councils, and this has helped shape the scope and design of the proposed facility.

Rather than a single-use velodrome with some capacity to host additional sporting codes, the Council is now proposing to invest in a regional indoor multi-use sport and recreation facility that incorporates a velodrome. This has resulted in a change in the projected budget, from the \$15 million estimated in the Indicative Business Case to \$22.9 million including contingency. The reasons for the increased budget are:

- The increased scope has led to changes in design to ensure the facility can meet the capacity needs of a wider range of sporting codes, now and in the future
- The configuration of the facility has been altered to ensure that it is flexible enough to cope with changing community recreational and sporting preferences
- Additional capabilities that can meet the needs of educational stakeholders – such as Eastern Institute of Technology (EIT) – have been added to the scope
- Some items that were out of scope for the stand-alone velodrome – such as car parking – have been brought within the scope of the regional indoor multi-use sport and recreation facility

In addition, considerable design and costing work has been completed, so the high-level estimates that were used in the Indicative Business Case have been updated to reflect more accurate design, construction and commissioning costs. Accordingly, this business case investigates:

- The type and configuration of a suitable multi-use facility, based on the demand for different sports and active recreation types
- The location for a suitable facility, bearing in mind the zoning, spatial planning and transport implications

¹ Local Government Act 2002, section 10

- How maximum effectiveness can be obtained by sharing assets across user-groups rather than through single purpose sports facilities

Some changes have occurred as a result of public consultation

During the consultation process on the Council's LTP 2015-2025, specific questions were asked about whether people supported the Council investing in a velodrome. The Consultation for Napier's 2015-2025 Long Term Plan document that highlighted key aspects of the proposed LTP 2015-2025 and related material went live on the Council website on 13 April 2015, the start of a month-long period of consultation. Printed copies of the Consultation document were delivered to Napier households from 22 April and were also available from Council facilities.

Councillors led eight consultation events over 11 days, comprising four three-hour long Pop Up Shops in the Central Business District, and public meetings at four schools. In addition, the Council used social media to interact with people as part of the LTP consultation process for the first time. Raising awareness of the LTP, both during pre-engagement and formal engagement, generated a lot of comments on the Council's Facebook page. Between 13 April and 13 May the number of people following the Council also grew, from 1412 to 1516.

The total number of submissions to the LTP 2015-2025 was 700, of which 61.7% were submitted online. In comparison, the average number of submissions each year to Council through the Annual Plan or Long Term Plan process since 2009 is 83. Feedback over the proposed investment in a velodrome was largely supportive. However, there was community concern that the cycling-specific focus of the facility was too narrow, and submitters wished to see a facility that was more versatile and able to meet the needs of a wider range of current and potential users.

There was also support for the proposed facility from local Iwi, given the over-representation of Māori in the below-average health and longevity outcomes of the region (detailed below).

The Council is committed to regional plans

In 2011 the Hawke's Bay Regional Sports Council (HBRSC) was established as a forum of members directly involved in the provision of sport and active recreation opportunities for Hawke's Bay's people. It comprises representatives from local and regional authorities, regional sports organisations, Sport Hawke's Bay (Sport HB) and other significant contributors to the sport and active recreation sector. The HBRSC plays a role in influencing how the sport facility network can best meet the needs of the region as a whole.

In 2015 the HBRSC adopted the Hawke's Bay Regional Sport Facilities Plan February 2015 (the HBRSP), the full version of which is in Appendix 1. The HBRSP lists six commitments² that are considered essential to ensure coordinated regional planning to maximise use of existing facilities and plan for the future sport facilities across the region. These are:

- The HBRSP is the foundation document that all territorial authorities within the region use as a guide for decision making about the sport facilities network
- Proactive regional planning for all future international, national and regional sports facilities, based on Better Business Case principles (funding for studies where possible from the NZ Lottery Grants Board and / or Sport NZ and sports codes e.g. the Park Island Master Plan)
- Alignment between national sport facility plans and planning for future international, national and regional sport facilities in Hawke's Bay
- Partnering with schools and the private sector to meet sport facility needs as a first and not a last choice
- An agreed regional funding model for the total cost of ownership (capital and operational) of existing and future international, national and regional sport facilities
- Sharing assets across user-groups rather than having single purpose sport facilities that are not fully utilised, with policies in place to achieve a balance of commercial and community use of sport facilities.

The HBRSFP gave further impetus to the need to ensure that the proposed investment is flexible and able to cater to the current and emerging desires of the people of Hawke's Bay for different sports and active recreation activities.

The proposed investment is consistent with the Council's obligations under the Local Government Act

Under the Local Government Act 2002 (the LGA), one of the purposes³ of the Council is to meet the current and future needs of communities for good-quality infrastructure and local public services in a way that is most cost-effective for households and businesses. Core services for the Council under the LGA include libraries, museums, reserves, and other recreational facilities and community amenities⁴.

In the Council's LTP 2015-2025 commitments are made to safe and accessible recreational facilities:

“All people who live in Napier have access to services and facilities that support recreation opportunities in a safe environment and that encourages positive social interaction.

In line with this legislated role and the agreed LTP commitments, Council has adopted two community outcomes that are relevant to the proposed investment:

- Infrastructure and services to support good health and well-being, and
- Safe and accessible recreational facilities.

The LGA defines good quality as “efficient, effective and appropriate to present and anticipated future circumstances”. In order to assess whether this goal is being met, the business case re-examines the needs of the community to ensure the proposed investment is aligned with the current and expected needs of the Hawke's Bay community. Further, it assesses the options in terms of their practicality, advantages and disadvantages, and cost/benefit ratio.

Approval is now requested to proceed to procurement and construction

This detailed business case seeks formal approval from Council to:

1. Invest \$7.7 million in the design, construction and commissioning of a regional multi-use sports facility that incorporates a velodrome
2. Direct that sponsorship and fundraising activities commence to raise the remaining \$15.2 million from sponsorship and fundraising, in accordance with the Revenue Generation Strategy prepared by Giblin Group Ltd
3. Direct that the design, construction and commissioning work be undertaken in accordance with the staged plan outlined in this business case, and that further approval be sought from Council before progressing to each stage.

> Strategic Context

There is a link between sport, active recreation and health outcomes

While much of the focus of the proposed multi-use facility is on sporting codes, there is a demonstrated link between participation in active recreation and sport, and better health outcomes for individuals and communities. As the NZ Ministry of Health notes:

New Zealand adults should:

- View movement as an opportunity, not an inconvenience;
- Be active every day in as many ways as possible;

³ Local Government Act 2002, section 10.

⁴ Local Government Act 2002, section 11A

- Put together at least 30 minutes of moderate intensity physical activity on most if not all days of the week;
- If possible, add some vigorous exercise for extra health benefit and fitness.

Adult guidelines for physical activity were developed by the Hillary Commission (now Sport New Zealand) in consultation with the Ministry of Health in 2001.

The World Health Organisation notes that in most parts of the world, non-communicable diseases have become a major epidemic. This is due, in part, to a rapid change in lifestyles leading to reduced physical activity, changing diets and increased tobacco use.

The health and well-being benefits of increased physical activity are unequivocal. As a seminal meta-study on the health benefits of physical activity⁵ noted, a moderate level of daily exercise leads to:

- A 20-35% decrease in the risk of death from cardiovascular disease;
- A protective effect for those at risk of Type 2 diabetes, with a reduction in incidence of 40-60% over 3-4 years;
- A reduction in the incidence of premature death of 39%–54% from any cause and of 34%–53% from cardiovascular disease among patients with diabetes;
- Physically active men and women exhibited a 30%–40% reduction in the relative risk of colon cancer, and physically active women a 20%–30% reduction in the relative risk of breast cancer compared with their inactive counterparts;
- There is compelling evidence that routine physical activity, especially weight-bearing and impact exercise, prevents bone loss associated with aging.

Routine physical activity is also associated with improved psychological well-being (e.g., through reduced stress, anxiety and depression). In turn, psychological well-being is particularly important for the prevention and management of cardiovascular disease, but it also has important implications for the prevention and management of other chronic diseases such as diabetes, osteoporosis, hypertension, obesity, cancer and depression.

Conversely, as the study notes, “Physically inactive middle-aged women (engaging in less than 1 hour of exercise per week) experienced a 52% increase in all-cause mortality, a doubling of cardiovascular-related mortality and a 29% increase in cancer-related mortality compared with physically active women. These relative risks are similar to those for hypertension, hypercholesterolemia and obesity, and they approach those associated with moderate cigarette smoking.”

The results of this study were recently confirmed by the Academy of Medical Royal Colleges (UK), which stated that:

A new report reveals the full extent exercise could have in preventing disease and treating many conditions. After two years analysing more than 200 separate pieces of research, the lead author, Scarlett McNally, a Consultant Orthopaedic surgeon, reveals the full impact that regular physical activity could have on the nation's health. The report reveals how:

- The risk of breast cancer can be reduced by as much as 25% with regular exercise, while the risk bowel cancer can be reduced by as much as 45%;
- The risk of ever developing dementia can be reduced by as much as 30%;
- The risk of ever having a stroke can be reduced by 30%;
- The chances of developing heart disease can be cut by over 40%.
- The effect of this small amount of regular exercise is better than many drugs. Furthermore, exercise helps in the treatment of many other common conditions.

It's clear that the provision of suitable community facilities that contribute to an increase in physical activity and social engagement for Hawke's Bay residents could have a marked impact on health outcomes.

⁵ Warburton DER, Nicol CW, Bredin SSD. Health benefits of physical activity: the evidence. *CMAJ : Canadian Medical Association Journal*. 2006;174(6):801-809. doi:10.1503/cmaj.051351.

Hawke's Bay has specific challenges that need to be addressed

Concern about health outcomes in the Hawke's Bay community was highlighted by the Health Equity in Hawke's Bay Report⁶ in 2014, which identified that Hawke's Bay, as a region, is doing worse than the national average across multiple health indicators.

According to the report, one in three adults in Hawke's Bay is obese and about 12% of children in Hawke's Bay aged 2-14 years are obese. Hawke's Bay men and women are less active in all age groups than their New Zealand average counterparts and are less active than they were in 2006. The overall life expectancy of the Hawke's Bay population is less than the rest of the country.

The key findings from the report are:

- **More deaths at younger ages:** More Māori, more Pacific people and more people living in the most deprived parts of Hawke's Bay are dying at younger ages. The equity gap is closing but not fast enough. The top causes of preventable premature death are ischaemic heart disease, diabetes, lung cancer, road traffic injuries, suicides, breast and bowel cancers.
- **Socioeconomic conditions:** Social inequity in Hawke's Bay is widening. Income is a powerful determinant of health in many different ways. The health impacts on children are more immediate and rates of admission to hospital for 0-14 year olds for conditions known to be strongly linked to social conditions are increasing, particularly for Pasifika and Māori children. Thirty percent of young Māori in Hawke's Bay are not in education, training or employment, affecting both their future health outcomes and their future employment opportunities.
- **Tobacco use:** The leading cause of avoidable deaths amongst Māori women is now lung cancer. There are high levels of inequity in lung cancer deaths for Māori who are six times more likely to die from lung cancer due to higher rates of smoking amongst Māori, especially Māori women. High smoking rates amongst pregnant Māori women (46%) is a significant health issue.
- **Obesity:** One in three adults in Hawke's Bay is obese – with one in two Māori adults and two in three Pacific adults. Hawke's Bay men and women are less active at all age groups than their New Zealand average counterparts.
- **Alcohol use:** One in every four adults in Hawke's Bay is a "hazardous" drinker – this means they are likely to be harming their own health or causing harm to others through their behaviour. Māori rates are nearly twice that of non-Māori.
- **Access to primary care:** High self-reported unmet need and higher rates of avoidable hospital admissions, especially amongst 45-64 year olds, shows that there continue to be issues with access to primary care. Cost of primary care remains one of the most common contributing reasons reported.

Of the 49 indicators examined Hawkes Bay is worse than the New Zealand average in 15 areas. Compared to New Zealand Hawke's Bay has:

- more people dying at younger ages
- more people with poor self-rated health
- more people who have had a diagnosis of one of the common mental disorders
- more regular smokers - both adults and year 10 students
- fewer people who are physically active
- more people drinking hazardously
- more teenage pregnancy
- more people who find it hard to get help from a GP when needed
- more people who see dentists only for emergency dental treatment
- more people living in the most deprived parts of the community
- more children, under 5 years, living in households receiving working age benefits
- more people, aged 15-24 years, not in education, training or employment
- more people who have been seriously assaulted requiring admission to hospital

While active recreation and sporting participation is not an instant panacea for the identified health issues, it can play a sig-

nificant role in improving outcomes in some key areas – as identified in the studies cited above.

Activity rates are lower than the national average

Work by Sport Hawke's Bay has also identified that there has been a decline in overall activity rates. In Hawke's Bay:

- In 2002 52% of people met the Ministry of Health guidelines of 30 minutes of exercise per day on 5 or more days, the same as the national average
- By 2006, this had risen to 54% meeting the guidelines, against a national average of 53.3%
- But by 2012, the Hawke's Bay rate had dropped to only 43%, a full ten percentage points behind the national average of 53%

Hawke's Bay has low activity levels for both males and females between the ages of 15-24 years. Only 38% (female) and 42% (male) meet the recommended guidelines, compared to 50% (female) and 63% (male) nationally.

In line with national results, Hawke's Bay has a particular issue with "teenage drop out". 15-18 year olds spend less time playing sport overall, with socio-economic background being a major factor.

Sport and recreation improves community cohesion

According to the Sport NZ 2013/14 Active New Zealand survey⁷, community is actively enabled through sport and recreation participation:

- Just over half of participants (and particularly men) say they take part in their chosen sport and recreation activities for social reasons.
- Over 12 months, almost half of participants are members of one of more organisations for the purpose of taking part in sport and recreation. Membership of sports clubs is most common.
- Over 4 weeks, overall membership of clubs and centres has remained stable, however sports club membership has dropped slightly since 2007/08.

The Council commissioned a social impact report by The Giblin Group as part of the investigations into sports facilities in Hawke's Bay. It noted that:

Over the last 10 years, academics and governments have turned their attention to analysing the value of sport to communities, not just for its physical outcomes, but as an activity that can achieve wider social, health and economic outcomes. There is a core argument that in addition to the direct benefits generated by the growth of the sport itself, sporting activities have the capacity to cover a wide range of external effects including: health benefits, crime reduction, educational attainment, social capacity and cohesion, and improvements in living standards. Consequently, there has been a move away from encouraging people to undertake sport for sport's sake to participating in sport to improve social and economic well-being.

There is well documented evidence of the strong relationship between participation in sport and high levels of social capital (Putnam, 2000) (Coalter F., 2002) (Delaney and Keaney, 2005). Putnam has identified two main mechanisms which allow for the creation of social capital through participation in sport:

- The bonds and connections made between people who participate in an activity together, for example, members of a sports team;
- The wider bonds created between supporters of a local sports activity or team. Both of these mechanisms relate to a sense of belonging and creating identity.

⁷ Sport New Zealand, 2015. *Sport and Active Recreation in the Lives of New Zealand Adults. 2013/14 Active New Zealand Survey Results*. ISBN: 978-1-927232-45-3

It should be noted that the bonds created between supporters of a team are unlikely to be as strong as those of the members of that team who meet regularly to participate in an activity together.

Increased time spent in sports leads to increased interaction with others (Bovaird, T., Nichols, G. and Taylor, P. 1997). Increased interaction with others leads to an increased stake in social relations. An increased stake in social relations leads to reductions in anti-social behaviour and contributes to the building of social capital in a community.

Social capital is arguably a prerequisite to social cohesion because social cohesion requires high levels of cooperative social interaction amongst citizens, groups and institutions, based on trust and respect (Spoonly, Peace, Butcher, & O'Neill, 2005).

A commonly accepted definition of social cohesion is the bonds that bring people together within society or the social "glue" that maintains stability in society (Boundless, 2014).

Key elements of a socially cohesive society are: belonging, participation, inclusion, recognition and legitimacy. "New Zealand becomes an increasingly cohesive society with a climate of collaboration because all groups have a sense of belonging, participation, inclusion, recognition and legitimacy" (Spoonly, Peace, Butcher, & O'Neill).

Given social cohesion is interactive, the linkages with sport are closely aligned. Sport New Zealand recognises the role that sport plays in contributing to social cohesion. In its Strategic Plan 2012-2015 states: "...the power of sport helps build social cohesion that binds individuals, families, communities, regions and the nation together" (Sport NZ, 2012a).

Sport can help build shared identities and has a critical role to play in building social cohesion. This can occur in a variety of ways:

- Through social activity and membership of sports clubs.
- When sports groups create networks which extend beyond the participants themselves. For example, social cohesion can be developed among groups of parents or supporters of a local team or volunteers who help run an activity.
- When bonds of different groups of people are created - for example between supporters of a national, regional or local sports team.

There is a significant role for local government to play in providing opportunities for residents to increase their physical activity levels. This can be in the form of urban design, transport planning, provision of safe places to exercise and socialise.

Delaney and Keaney (2005) researched the relationship between sport and social capital in Britain, where the relationship between sport and the community has become central to policies of social inclusion and community regeneration. The British government has identified community regeneration as one of a number of key strategies intended to take a community-based approach to tackling problems such as deprivation and inequality.

Delaney and Keaney's research revealed some key findings:

- Countries with high levels of sports participation also tend to have high levels of social capital and institutional trust
- Individuals that are involved in sports organisations are more likely to vote, contact a politician, have improved well-being, frequently socialise with friends and maintain social networks
- Sport attracts more volunteers than any other activity (except for religion) and that sport volunteers undertake a wide range of tasks. These tasks not only benefit the sports sector but also provide valuable transferable skills than can contribute to community regeneration
- Countries with high levels of membership of sports groups also tend to have high levels of membership of social and cultural groups, suggesting that participation is cumulative. In other words, people who are already involved in one type of activity are more likely to get involved in other activities
- Membership of a sports club has the same impact on individual well-being as an increase in income of \$NZ6,650 per year

- Sport can be used to create or maintain social connectivity across boundaries defined by class, religious and ethnic backgrounds.

It's clear that improving participation rates for people in Hawke's Bay will contribute to better outcomes for the community as a whole, in addition to individual improvements in health and well-being.

Interest in taking part in more sport and recreation is high

The Sport NZ survey also noted that for the large majority of participants, "health and fitness" (90.7%) and enjoyment (87.9%) were their main reasons for taking part in their chosen sports/activities. Other common reasons included social reasons (52.9%), low cost (44.5%), convenience (43.5%) and sport performance (31.1%).

Reasons varied in importance for some groups, and most notably between men and women:

- Men were more likely to say they took part in activities for enjoyment, social reasons and sport performance
- Women were more likely to say they took part in activities for fitness and health, low cost and convenience.

Most adults (both participants and non-participants, 65.6%) were interested in either trying a new sport/activity or doing more of an existing one. Interest was highest among:

- Young and mid-aged adults (16 to 49-year-olds)
- Asian peoples, compared with all adults.

Among participants, interest was higher in trying a new sport or recreation activity (47.4%) than in doing more of an existing one (43.8%). Interest was wide-ranging and participants mentioned over 100 new/different activities and 70 existing ones that they'd like to do more of (and so the numbers mentioning each activity were small).

Recreation activities attracted more interest overall than sports. Activities participants were most interested in trying were swimming, cycling, tennis, Pilates/yoga, golf, dance and snow sports:

- Men were most interested in cycling, golf, swimming and snow sports
- Women were most interested in swimming, Pilates/yoga, tennis, cycling, netball and dance.

It is clear from the survey that there is a demand for sporting and active recreation – and by implication, for facilities that enable these activities to occur. In addition, there is a clear trend across New Zealand towards indoor rather than outdoor sports, and many codes that have traditionally been played outdoors – such as netball – are moving to an indoor setting.

The sporting and recreational landscape is changing

As a result of evolving community needs and expectations, the sporting and recreational landscape is changing. The Sport NZ report noted that a lack of time is by far the number one reason participants who are interested in doing more sport and active recreation give as a reason for not doing more. Cost comes a distant second.

The most common way people pay to participate (pay-to-play) offers some flexibility in the level of commitment required, and for some an easier way to manage the expense of sport and recreation.

There are a number of indications of rapidly increasing preference for indoor sports, and for playing new versions of outdoor sports indoors:

- Participants tell us they're interested in trying a diverse range of new sports rather than doing more of the same. Traditional sports club membership is down slightly, while gym membership is up. Pay-to-play is now the most common way people pay to participate rather than a traditional subscription. Women, older adults and Asian peoples continue to par-

icipate less than other adults. And time continues to be the main barrier to people doing more.

- What people want is changing, and if we don't act to preserve our proud sporting heritage, it could be lost for future generations. This is a huge challenge for all of those in the sport sector.

The effect of these changes is that there is greater pressure on a relatively limited number of indoor venues across the country, and Hawke's Bay is not immune to the trend.

For instance, indoor netball is growing in popularity, with four teams in the 2015 season burgeoning to 8 teams in the 2016 season. The result is a doubling in the demand for indoor court space within a 12 month period, which is putting pressure on venues that are already in high demand at peak times.

Sport and recreation also helps grow the regional economy

Sport and Recreation is an important part of the New Zealand economy. According to recent research from the The Agribusiness and Economics Research Unit (AERU) at Lincoln University⁸:

- Using data from the 2013 Census and the 2011/12 National Accounts (Industry Benchmarks), it is estimated that the sport and recreation sector (narrowly defined) contributed \$3,092.5 million, or 1.5 per cent, to New Zealand's gross domestic product in 2011/12.
- Assuming that the sector grew at the same rate as gross domestic product over the next twelve months, this is equivalent to \$3,166.3 million in 2012/13.

As part of its LTP 2015-2025, the Council's aim is to support and encourage a thriving Napier and Hawke's Bay economy and business culture, which will help nurture and grow local start-ups, provide support to help existing businesses expand and prosper, kick-start new investment and attract new residents and businesses to the area.

A key part of the local economy is tourism, so Council has focused considerable efforts over the years in helping the tourism market grow and mature.

Projected growth in visitor numbers over the life of the current LTP is 180,000 or 33%. These visitor numbers are for arrivals staying at least one night (excluding cruise ships). Projected visitor numbers for 2015 are 545,000, an annual growth rate of 1%. By 2025, visitor numbers are projected to be 725,010, a 3% growth rate. An annual 3% growth rate is projected from 2018 onwards.

Visitor arrival numbers into the Hawke's Bay region staying in commercial accommodation (which accounts for an estimated 40% of all regional overnight visitors) totalled 463,637 for the year ended June 2015, up 4.7% on the previous year. The number of nights spent in the area by visitors staying in commercial accommodation totalled 1,013,806 for the year, up 61,456 nights or 6.5% on the June 2014 year total.

Central Government tourism figures indicate a total direct visitor spend in the region over the March 2015 year of \$569 million, comprising \$455 million or 80% for domestic visitors and \$114 million or 20% for international visitors. Total visitor spend in the region has been consistently increasing since 2009 and overall by 29% in nominal 'dollars of the day' terms, compared to the national growth figure of approximately 10%. The Hawke's Bay visitor spending gain over the latest year was 2.7%. These spending figures are based on recorded electronic card transactions.

Each additional tourist visitor night directly adds both direct and indirect economic benefit to Napier, through spending on local goods and services, increased turnover in local businesses, and the growth in employment that results. Facilitating an increase in the number of visitor nights is therefore a key imperative for the Council.

Sporting events are a contributor to additional visitor nights. Regional and national tournaments, exhibition matches and one-

⁸ AERU (Lincoln University): *The Economic Value of Sport and Outdoor Recreation to New Zealand: Updated Data (2015)*. ISBN: 978-0-947502-44-7

off sporting events – such as the Storm vs Dragons NRL game in July 2015, and inaugural Hawke’s Bay Marathon in May 2016 – bring visitors into the region in much the same way that conferences and other large-scale meetings do, with the same positive impact for local businesses. Financial modelling to assess this impact in the context of the proposed multi-use facility is undertaken in the Economic Case later in this document.

> the current state – sports

It is part of the Council’s mission to provide suitable facilities

Part of the Council’s mission is to provide the facilities and services and the environment, leadership, encouragement and economic opportunity to make Napier the best city in New Zealand in which to live, work, raise a family, and enjoy a safe and satisfying life. The Council’s vision is:

Over the next 10 years we will continue to grow and maintain a vibrant Napier which surpasses expectations and embraces new opportunities for all aspects of the city.

The Council is committed to making changes and investing in ways that will help Napier grow, and the proposed investment will assist in meeting that goal.

The Council provides a range of facilities

The Council provides a wide range of safe and accessible facilities to meet the recreational and sporting needs of the community in order to enhance the social and cultural well-being of our community. Section 11A of the Local Government Act states that, in performing its role, a local authority must have particular regard to what its core services, including reserves and recreational facilities, contribute to the community.

The key facilities provided for the community are:

Table 1: Recreational facility provision

Activity	What we provide
Sportsgrounds	15 sports parks (213ha). Major facilities - McLean Park Complex, Park Island, Nelson Park and Tareha Recreation Reserve
Napier Aquatic Centre	Indoor facilities (heated) - 5 lane 25m pool, 6 lane 25m pool, 15m learners’ pool, 2 toddler pools, 2 spa pools, 2 water slides and an outdoor spray park
Marine Parade Pools	An outdoor complex with 4 heated outdoor pools and 5 spa pools An external contractor manages the day-to-day running of the facility
Reserves	36 neighbourhood parks, 46 greenbelt reserves, 9 foreshore reserves and 9 public gardens A target of 75m2 recreational reserves per residential lot
Inner harbour	98 berths
Napier Skate Park	Range of ramps and jumps catering to scooters, skates and skateboards Skatebowl and/or Half Pipe (detailed design subject to consultation) Skating rink catering to inline hockey, roller derby, artistic skating and other roller sports The Napier Skate Park facility may incorporate an ice cream parlour, a skate shop, a café, and an area leased to a youth service provider subject to consultation on the detailed design.

It also provides support for Pettigrew Green Arena

In addition to its wholly-owned facilities, the Council provides funding and support for the Pettigrew Green Arena, which is owned and managed by the Regional Indoor Sports and Events Centre Trust (RISEC). The Trust is a charitable trust formed for the specific purpose of owning and managing Pettigrew Green for the benefit of the Hawke’s Bay community.

The Napier City Council, the Hastings District Council and the Eastern Institute of Technology (EIT) worked collaboratively over a number of years to establish the Arena, and each contributed funding and expertise to construct the current facility, which opened in April 2003. The Council owns the land on which the Arena is located, and provided \$1.25 million in construction funding. EIT contributed \$3.5 million, the Hawke’s Bay Regional Council \$1.59 million, the Hastings District Council \$1

million, and public sponsors and donations \$1.865 million. The result has been a successful and versatile facility that provides for both the community’s recreational and sporting needs and EIT’s educational programmes.

The Council also contribute to the day-to-day operations of Pettigrew Green Arena. The ambition has always been that the Arena meet its own operating costs; however, this is balanced with the need to provide affordable and accessible services to the people of Hawke’s Bay. In order for the facility to support its maintenance and capital renewal programmes, the three stakeholders – the Council, the Hastings District Council and EIT – provide \$462,000 per annum in funding for the Arena.

Pettigrew Green Arena is used for a very wide range of recreational events and sporting activities. These include:

- Major events such as sporting tournaments, trade shows and concerts that utilise the entire Arena
- Smaller sporting and social events that utilise function rooms or part of the Arena

There are a number of sporting codes that are regular hirers of part or all of the facility, including netball, volleyball, badminton, futsal and others. The Arena also has additional specialist facilities, including a gym with aerobics studio, a kindy gym and the specialist learning lab for EIT.

Current indoor facilities are limited

Sport NZ commissioned Aurecon to write a National Indoor Facilities Strategy for Indoor Sports in 2015. The Sport NZ report investigated the number of courts nationwide, including in Hawke’s Bay:

Table 2: Indoor court provision in Hawke’s Bay

Region	Number of Community Courts	Number of School Courts	Total Number of Courts
Hawke’s Bay	9 ¹	18 ²	27

The 2015 Sport NZ report listed the following specific facilities:

Table 3: Listing of public indoor sports facilities in Hawke’s Bay

Region	Venue Name	Number of Courts	Capacity	Year Built	Age
Hawke’s Bay	Hastings Sports Centre	1	1000		
Hawke’s Bay	Pettigrew Green Arena	3	2500	2003	13
Hawke’s Bay	Rodney Green Centennial Hall	3	200	1959	57
Hawke’s Bay	Wairoa Community Centre	2			
Hawke’s Bay	Woodford House School Gym	1	500		
	Facilities: 4	9			

Table 4: Listing of school indoor sports facilities

Region	School	Area (sqm)	Year Built	Age
2 court with full sized amenities				
Hawke’s Bay	n/a	n/a	n/a	n/a
2 court with basic amenities				
Hawke’s Bay	n/a	n/a	n/a	n/a
1 court with full sized amenities				
Hawke’s Bay	Flaxmere College	1095	1995	20

Hawke's Bay	Hastings Boys' High School	980	1978	37
Hawke's Bay	Hastings Central School	982	1998	17
Hawke's Bay	Hastings Girls' High School	986	1969	46
Hawke's Bay	Havelock North High School	1272	1973	42
Hawke's Bay	Lindisfarne College	1385	1984	31
Hawke's Bay	Napier Boys' High School	1091	1985	30
Hawke's Bay	Napier Girls' High School	1069	1981	34
Hawke's Bay	Sacred Heart College (Napier)	978	1997	18
Hawke's Bay	St John's College (Hastings)	987	1992	23
Hawke's Bay	Taradale High School	1245	1970	45
Hawke's Bay	William Colenso College	1305	1970	45

1 court with basic amenities

Hawke's Bay	Central Hawkes Bay College	908	1967	48
Hawke's Bay	Karamu High School	876	1967	48
Hawke's Bay	St Joseph's Maori Girls' College	842	1997	18
Hawke's Bay	Taikura Rudolf Steiner School	880	1994	21
Hawke's Bay	Tamatea High School	825	1975	40

1 court with no amenities

Hawke's Bay	Iona College	615	1964	51
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All school gyms of area 781 m² or greater were assumed to contain at least one full sized court. The Sport NZ report stated that across New Zealand school facilities provide 63% (Hawke's Bay 67%) of the total network making the Ministry of Education the major provider of indoor sports courts in almost all regions.

The findings of this report highlighted some inherent challenges around the use of school gyms including:

- For the most part school halls are not available to the public (increasingly due to security issues). Limited access to school facilities is a major contributor to the shortage of court space in New Zealand.
- Many school gyms are small, old and often poorly maintained
- The decline in the school age population is seeing a decline in the number of school gyms
- School gyms are likely to be a poor match to an aging population – in particular, they don't offer a range of other services
- The average age of school gyms (or halls used as gyms in some cases) is 34 years, which is the average across New Zealand.

The types of facilities need to evolve with changing demands

One of the key issues being addressed by the proposed investment is the growth in demand for indoor sports facilities, across a range of codes and demographics.

Feedback received from some sporting codes during the consultation on the LTP 2015-2025 established that there is demand for additional indoor courts in Napier, particularly from basketball, futsal and volleyball, which are constrained in their activities due to insufficient indoor court space at peak use times, i.e. after school and weekday evenings. This is further evidenced by the high level of use of both the PGA and Rodney Green Centennial Hall after school and weekday evenings (4pm to 6pm) during school terms:

- 2015 PGA utilisation - 93%⁹
- 2015 Rodney Green Centennial Hall utilisation - 88%¹⁰

Feedback also suggested that their opportunities to host national tournaments are reduced by having insufficient courts in close proximity. Demand for more court space in Hawke’s Bay is supported by the HBRSP, which showed that gym sports, cricket, indoor court sports and softball were high priority areas for sport facility developments. In relation to indoor court sports, the HBRSP stated:

The National Indoor Sports Strategy¹¹ identified a shortage of 2 indoor courts in Hawke’s Bay. Volleyball’s engagement with the Pacific Island community will likely drive increased demand on facilities. Basketball is experiencing growth and reporting a shortage of facilities.

Some sports are growing whilst others are declining

The changes in sporting and recreational preferences are producing pressures on existing facilities. While many venues are adequate in individual terms, there is an overall lack of capacity and flexibility to account for changing community preferences in sporting codes and active recreation types. This is exacerbated by the nationwide trend towards sports that are played indoors rather than outdoors.

Many of the current Hawke’s Bay facilities also lack the scale necessary to host regional and national tournaments, which is holding back participation as well as regional visitor numbers.

In early 2015 Sport Hawke’s Bay undertook a “State of the Nation” assessment of the sporting codes in the region, which showed the extent to which community preferences are changing. In addition, the Council has assessed the participation trends in key indoor sports in order to assess the level of demand for additional indoor facilities.

There are a number of sports where there is evidence of rapid growth and which may be good candidates for additional facilities. These are:

- Cycling
- Basketball
- Futsal
- Volleyball

There are also some sports that have the potential for improved participation rates if additional facilities were available, but where the evidence of rapid growth is less strong. These include:

- Indoor netball
- Indoor cricket
- Badminton

Cycling

Cycling is an increasingly popular form of exercise across New Zealand. Sport NZ’s 2013/2014 Active Sport Report found cycling is the third most popular sport for participation. Over a period of 12 months, 28.4 percent of men and 21.6 percent of women participated in cycling activities – a total involvement of 823,000 people. Based on Sport Hawke’s Bay’s statistics¹² there are estimated to be over 25,000 riders in the region. With the network of pathways, trails, roads, BMX and mountain bike parks throughout the region, participation rates on a per capita basis are amongst the highest in New Zealand.

9 Appendix 8 2015 Pettigrew.Green Arena utilisation
 10 Appendix 9 2015 Rodney Green Centennial Hall utilisation
 11 National Facilities Strategy for Indoor Sports by AURECON May 2014
 12 State of the Nation. Sports Hawke’s Bay, February 2015

In the late 1990s, road and track cycling clubs had just over 1,800 members and 17 percent of New Zealand’s population rode a bicycle regularly. In 2007/2008 Active New Zealand told us this statistic had increased to 22 percent, and now in 2014 there are 5,200 members of road and track cycling clubs.

And while road cycling continues to be very popular, many forms of cycling require facilities of various kinds, ranging from BMX tracks to velodromes. Indoor facilities are necessary to enable all-weather participation, the use of specialised surfaces and different group competitions. There is also evidence that the addition of new facilities in the past has spurred further participation and growth in cycling, with the development of BMX as a stand-alone sport being a prime example.

However, there is a distinction that needs to be drawn between recreational cycling, which is growing quickly, and competition and club cycling, which is growing at a somewhat slower rate. The current challenges being faced by the segments are as follows:

Table 5: Current state of cycling in Hawke’s Bay

Segment	Current state and challenges
Recreational cycling	<ul style="list-style-type: none"> + Fast-growing with rising participation rates + Good tourism driver (e.g. Otago Rail Trail) - Perceptions of danger on public roads - Limited transition from recreational to club and competitive cycling
Club cycling	<ul style="list-style-type: none"> + Growing sport with gradually rising participation rates + Tourism driver for club events and races - Perceptions of danger on public roads - Perceived as being a summer sport only - Lower than desirable youth participation rates
Competition cycling	<ul style="list-style-type: none"> + Growing sport with gradually rising participation rates + Minor tourism driver for events and races - Lack of facilities for track cyclists in the Bay - Perceived as being a summer sport only - Lower than desirable youth participation rates

It was noted that like many sports, cycling has difficulty retaining youth membership. Child participation is being actively promoted in schools, but many people drift away from the sport in adolescence and don’t return until adulthood. Most of the club and competition membership in the Bay is made up of adults, and the focus is on road cycling due to the lack of track facilities.

There seem to be a number of reasons for the fall-off in participation until adulthood, as follows:

- While road cycling has a high profiles as a sport, it can be perceived as difficult and potentially dangerous due to sharing public roads with motorised traffic, and the recent media coverage of crashes involving cyclists
- Road cycling is perceived as a predominantly summer sport, meaning there is poor continuity of training throughout the year. There are few facilities in the Bay that allow training throughout the winter months for any but the most dedicated cyclists, and this is perceived as being a significant obstacle to ongoing participation
- While there are facilities for road, recreational and BMX cycling, participants who are drawn to track cycling need to travel outside the Bay to be able to use suitable facilities. Cambridge and Invercargill both have very good tracks, and there is a Category 3 velodrome in Whanganui, but these are not easily accessible for regular training.

In this context, the Hawke’s Bay Regional Sports Facilities Plan has requested that a velodrome be investigated as an option for Hawke’s Bay’s cyclists.

School-age participation

In this context, the Council researched the likely uptake of indoor cycling facilities by local schools, given that there is a significant challenge in Hawke’s Bay around youth participation in active recreation. Twenty-seven intermediate or secondary schools expressed an interest in using indoor cycling. Of those:

- 12 are definitely interested in track cycling
- 10 may be interested and 5 possibly interested.

- Thirteen are also interested in other sports at the facility, 7 maybe and 5 possibly.

Responding schools would like further information on:

- Weekly track cycling sessions – 13 schools
- PE track cycling sessions – 20 schools
- Weekly track cycling racing – 5 schools
- Monthly track cycling racing – 10 schools
- NCEA track cycling – 8 schools
- Other sports at the multi-use facility – 18 schools

Cycling club usage

Eleven cycling clubs/groups responded to a Council survey on their potential use of an indoor cycling track. Face to face meetings were also held with some of the clubs/groups to better understand their likely use. The key findings from the surveys and discussions are:

- Regular club riding – 14 hours/week in summer, spread over the full week
- Regular club riding – 16 hours/week in winter, spread over the full week
- Club racing – 40 hours/year
- Other club riding – 172 hours/year
- Inter-club racing – 36 hours/year
- Regional (mid-lower North Island) competitions – 16 hours/year

The conclusion from the survey was that there is definite year round interest in the cycling community to use the track.

Cross training

Based on the experiences of other velodromes in New Zealand, there are also synergies between cycling and other sports that use cycling for cross-training, such as various multi-sport codes and rugby. This has been demonstrated by the Avanti-drome in Cambridge, which is extensively used for cycling training by people from a range of non-cycling codes.

Basketball

Basketball is growing in popularity as a sport in New Zealand, and has particularly high uptake amongst Māori and Pasifika people. Team growth in Hawke’s Bay is averaging 11% per annum and individual memberships are growing at about 15% per annum, in line with national rates:

Table 6: Basketball participation rates in Hawke’s Bay

	2010	2011	2012	2013	2014	2015
Teams	309	539	709	790	873	975
Members	1,221	2,129	2,801	3,025	3,515	n/a

The high growth rates mean that courts are heavily booked, particularly at peak times. There are also restrictions on the number of people who can participate due to limitations in the total number of courts and the configuration of the facilities. There is demand to play national competitions, which will increase participation rates and bring visitors into Hawke’s Bay, but this cannot easily be accommodated due to limitations in current facilities.

Basketball Hawke’s Bay has requested that a multi-use facility be investigated as an option to enable the sport to grow.

Futsal

Futsal is an indoor sport that is growing significantly in popularity, particularly with school-age children. Nationally, the number of players has risen from around 5,000 in 2011 to more than 57,000 in 2014.

In Hawke's Bay, the Futsal In Schools Programme (Primary, Intermediate, Secondary School ages with a focus around playing time as well as increased technical and tactical ability of players) has seen rapid growth over the last few years. In addition, the NCEA Level 1 College Futsal Programme (playing, refereeing, coaching, administering futsal) was introduced in 2015 and has accelerated rapidly:

Table 7: Futsal participation rates in Hawke's Bay

	2014	2015	2016
Futsal In Schools	1,320	1,695	2,200
College Futsal	0	56	150

Overall, Futsal is seeing growth rates of around 34% per annum in Hawke's Bay, in line with the national average of approximately 33%.

Futsal is a heavy user of both the Pettigrew Green Arena and Centennial Hall. League usage is 54 teams on a Tuesday at PGA, 12 teams at Centennial Hall on Tuesday, and 48 teams on Friday at PGA, all in the peak times between 3.50pm and 9.30pm. There are currently restrictions on the number of people who can participate due to limitations in the number of courts, e.g. senior men's league. Courts are heavily booked, particularly at peak times, and there is some demand for regional and national tournaments. Currently PGA doesn't have a full court taped up, and both regional and national tournaments require this size (40M x 20M) for Senior Secondary School Age (16-19years), and National League for Womens and Mens.

Volleyball

In contrast to Futsal and Basketball, Volleyball is showing gradually declining participation rates due to a lack of facilities. Statistics from early 2015 show the trend in Hawke's Bay:

Table 8: Volleyball participation rates in Hawke's Bay

	2011	2012	2013
Volleyball players	1,666	1,618	1,512

This is around a 5% annual decline. However, the gradually falling participation rate reflects a high degree of unmet demand due to a lack of suitable facilities. According to Volleyball Hawke's Bay:

Current usage

- Pettigrew Green Arena (PGA): 7 regular competition volleyball courts or 5 tournament volleyball courts
- Rodney Green Centennial Events Centre (RGCEC): 9 badminton courts (Primary/Intermediate KiwiVolley) or 4 volleyball courts
- Hastings Sports Centre (HSC): 6 badminton courts or 2 volleyball courts
- Taradale High School (THS): 2 regular competition volleyball courts (girls and Junior division 2 boys only) or 1 tournament volleyball court (girls only)
- Woodford House (WH): 3 regular competition volleyball courts or 2 tournament volleyball courts
- Napier Boys High School (NBHS): 2 volleyball courts (1 girls only)
- Flaxmere College (FC): 4 badminton courts or 1 volleyball court (girls/women and division 2 boys only)

Schedule Summary and Current Demand - Term 1 and Term 4

Mondays

- Hastings Primary/Intermediate KiwiVolley at HSC: 15 teams have 2 x 20 minute games per afternoon on 6 badminton courts with 3 rounds at 3.45pm full, 4.10pm full and 4.35pm 3 used
- Intermediate SuperLeague at PGA: 18 teams have 2 x 30 minute games per afternoon on 7 volleyball courts with 3 rounds at 4pm full, 4.35pm full and 5.10pm 4 used
- Adult Social Volleyball at PGA: 32 teams have 1 x 50 minute game per evening on 7 volleyball courts with 3 rounds at 6.20pm 6 used, 7.10pm 6 used and 8pm 4 used

Wednesdays

- Napier Primary/Intermediate KiwiVolley at RGCEC: 31 teams have 2 x 20 minute games per afternoon on 9 badminton courts with 4 rounds at 3.45pm full, 4.10pm full, 4.35pm full, and 5pm 4 used
- Secondary School Competition at PGA: 61 teams have 2 x 50 minute games per afternoon on 7 volleyball courts with 5 rounds at 4pm full, 4.50pm full, 5.40pm full, 6.30pm full and 7.20pm full.

There is an ongoing deficit of 26 games:

- THS 2 volleyball courts with 4 rounds enables 8 games
- WH 3 volleyball courts with 4 rounds enables 12 games

Given the current playing deficits, some weeks teams will only get 1 game.

Tournaments

Senior Open at PGA: 13 teams have 5 games each Friday 1pm – Sat 7pm. Games are best of 5 sets so not played to time but need to allocate at least 1.5 hours per round. 5 courts with 10 rounds over 1.5 days enables 50 games.
Deficit of 15 games

Senior Seeding at PGA: 13 teams have 5 games each Friday 4pm – Sat 7pm. Games are best of 5 sets so not played to-time but need to allocate at least 1.5 hours per round. 5 courts with 9 rounds over 1.5 days enables 45 games.
Deficit of 20 games

Junior Open at PGA: 13 teams have 5 games each Friday 1pm – Sat 7pm. Games are best of 3 sets so not played to time but need to allocate at least 1.25 hours per round. 5 courts with 11 rounds over 1.5 days enables 55 games.
Deficit of 10 games

Junior Seeding at PGA: 10 teams have 5 games each Friday 4pm – Sat 7pm. Games are best of 3 sets so not played to time but need to allocate at least 1.25 hours per round. 5 courts with 10 rounds over 1.5 days enables 50 games.

Note that as above PGA is the ideal venue, however a common problem is PGA not being available for all required tournament days. Often we need to use school gyms on the Friday and it is very difficult to fit in the required number of games – teams cannot play more than 3 games in one day so must fit in 2 games on the Friday. Also depending on number of entries, we can only use 4 tournament courts at PGA (using the 5th as a warm up court) because the teams not playing may need to duty.

Factors that prevent VBHB from utilising PGA more

- Volleyball in NZ is considered a summer sport. Sport in Term 1 cannot be started until week 3 due to that it is the start of the school year and schools need more time to organise teams, uniforms, fees, etc. compared with other terms. Term 4 is a short term, especially for secondary schools. Seniors are prevented from playing in Term 4 due to NCEA exams.
- Secondary School Sanctioning imposed by the New Zealand Secondary Schools Sports Council and Sport Hawke's

Bay, and supported by schools, dictates that we cannot have volleyball competitions prior to week 3 in Term 1, prior to week 2 in Term 4, during Tournament Week (scheduled for week 7 in Term 4 2016 and week 8 in Term 1 2017) or after Tournament Week.

- PGA hosts large events such as expos, concerts and national sporting events (Hawks Basketball, Central Pulse Netball) which take priority over regular sport users. VBHB understands that such events are necessary for the venue's financial viability. However given that there is also an eight week minimum booking for regular users per term, events that clash with our volleyball competition further reduce the number of feasible weeks available and we may be given compulsory dates to pay for by PGA without being able to actually host a competition (for example first week of term). Note that expos and concerts generally also book the venue for the day before and day after actual event dates for set up and pack down.

Factors that prevent VBHB from utilising other venues more

- There are several school gyms in HB that are suitable for primary, intermediate and girls secondary school volleyball, such as Taradale High School, Napier Boys High School, Flaxmere College and Woodford House, based on size, ceiling height, equipment, location and availability. However, boys secondary school volleyball is significantly impacted by low ceiling heights and therefore only the main Napier Boys gym and Woodford House are suitable for them.
- Hastings Sports Centre is suitable for primary and intermediate KiwiVolley however subpar lighting and nets lower the quality of secondary school volleyball hosted there. On Mondays in Terms 1 and 4, we are at capacity with Hastings KiwiVolley teams here so no more court space for secondary.
- Rodney Green Centennial Events Centre is suitable for all levels of volleyball however on Wednesdays in Terms 1 and 4, we are at capacity with Napier KiwiVolley teams here so no more court space for secondary.

Impact on participation

The more venues that we need to use for a particular competition or tournament not only makes it difficult for local schools to manage and transport multiple teams at once, but those that travel from Gisborne, Waipukurau or the rural primary schools experience real difficulty with this while it also increases transport costs and requires more staff or volunteers to manage the teams.

Using multiple venues at once also increases VBHB's staffing costs as we need at least two court controllers at each venue (apart from PGA where the Coordinator controls).

With availability and suitability of existing venues we are unable to host bigger events such as Inter-Provincial Age Group Championships, North Island Championships or National Club Championships. The National Secondary School Volleyball Championships in April 2016 had 172 teams. This tournament is always held in Palmerston North using Arena Manawatu (19 courts) and Massey University (3 courts) because of the large number of courts required.

Participation numbers are continually increasing in primary, intermediate, and secondary school volleyball, as well as adult social volleyball. Women's Competitive League is steady while Men's Competitive League is the only participation decrease from 2015. Particularly with secondary school volleyball, the participation increases are remarkable but we have had to consider whether we should provide fewer games or put a cap on team entries because we just can't fit everyone in.

Because of the factors mentioned, we have essentially been allocated only a 4 week competition for Junior Secondary Schools in Term 4 2016 and a 5 week competition for Secondary Schools in Term 1 2017, yet an 8 week competition is what we endeavour to provide. Therefore we are currently looking at the possibility of providing, for example in Term 4, a 4 week sanctioned Junior Secondary Schools competition on Mondays and Wednesdays with a 3 week youth club competition following this. It is not ideal to split the competition like this but it may be the only way to provide players with a decent number of competitive games.

As is clear from both the Volleyball Hawke's Bay narrative and the statistics, the growth in volleyball participation is being

significantly impacted by the lack of regional facilities. The sport has been flexible in its approach by utilising school halls as much as possible, but the physical constraints are now impeding the growth of the sport.

Additional Sports

There are a range of other indoor sports where popularity and participation rates are growing, or which are looking for additional indoor capacity. These include:

- **Indoor netball/Super 6 netball** – Due partly to the gradual elevation of netball to one of New Zealand’s iconic sports, indoor netball is showing considerable growth. The sport is heavily skewed towards younger players, with most participants under 21 years, and a vibrant team competition in Hawke’s Bay. Indoor netball is currently based at Action Indoor Sports in Thames Street, and detailed statistics about participation rates over time in Hawke’s Bay were not available at the time this document was prepared.
- **Indoor cricket** – Like indoor netball, indoor cricket is based at Action Indoor Sports. Detailed participation figures of this international game are not available for Hawke’s Bay, but anecdotally the sport is predominantly made up of social and business leagues. While there may not be high growth in participation, it has relatively modest facilities requirements, which could easily be addressed in the context of a multi-use venue. It would therefore be pragmatic to allow for the sport and its tournaments to be hosted if its popularity increases.
- **Badminton** – Participation in badminton is relatively static and relatively small-scale at around 200 registered players. However, the need for further investment to bring existing specialist badminton halls up to standard in the years ahead may mean that there is some value in assessing whether the sport can be catered for in a multi-use facility.

> The current state – recreation and events

Napier is also constrained in the number of events that can be hosted in the city, due to configuration and booking limitations with existing venues. This affects indoor events (such as home shows) and trade shows in particular. The Council is working to increase the number of events in the city, and has provided dedicated funding for events attraction in order to encourage promoters of major events into Hawke’s Bay. A number of venues in Napier are dedicated to this purpose:

- War Memorial Conference Centre (WMCC)
- Kennedy Park
- Napier Municipal Theatre
- Maclean Park

In addition to the specific conference and events venues, the Pettigrew Green Arena currently fills an important niche for both indoor events and trade shows. It is one of the few venues in the city of sufficient scale to make some events viable, but is constrained by existing bookings for sports.

For instance, a staging of the Home Show in April 2016 resulted in the normally scheduled sports fixtures having to be cancelled or moved. In effect, the city is forced to make a decision between sports or events – there are not the facilities to do both. This will constrain the growth of either sporting participation or events in the city in the years ahead.

As is the case with regional and national sporting tournaments, concerts and events are an effective way to attract more visitors to Hawke’s Bay. The draft Regional Economic Development Strategy has a focus on increasing numbers, enhancing the visitor experience, and increasing the visitor spend. The Council acknowledges that growing the tourism product in the region is critical for the success of the strategy, as well as promoting the region to potential visitors by giving them more reasons to come to Napier and to Hawke’s Bay.

Planned upgrading of facilities such as the Napier i-SITE between 2017-19 and War Memorial Conference Centre during 2016-2017 will also enhance the city and ties in with the expectation of more visitors. Adding additional facilities for concerts and events would therefore be a logical extension of the Council’s tourism strategy.

> The current state – sports education

Eastern Institute of Technology (EIT)

EIT, through The School of Health & Sport Science, has been offering academic programmes specialising in fields of recreation and sport up to degree level, for over 15 years with the addition of post-graduate and Masters programmes more recently.

EIT was instrumental in the establishment of the Pettigrew Green Arena (PGA), with the facility used daily as part of the EIT Hawke's Bay campus for teaching, research, the provision of Sport Science services, and student led massage clinics.

EIT has a long-standing mutually beneficial relationship with Sport Hawke's Bay, who are also located upstairs in PGA. The recreation and sport programmes are supported by academics with a wide range of expertise in the sport, recreation, and health sectors.

Research led Community Benefits

The School of Health & Sport Science is actively engaged in a diverse range of research and community based initiatives, of regional and national significance. For example, EIT is the research partner for the nationally recognised PATU Aotearoa Maori and Pasifika exercise initiative, and also a research-led awareness programme to improve side-line spectator behaviour. This was developed in the School in partnership with Sport Hawke's Bay has been rolled out in many sports nationally. EIT has also rolled out programmes to several Hawke's Bay primary schools to develop fundamental movement skills and lead a national injury prevention programmes for netballers.

Locally, EIT works alongside sports and recreation organisations, including the Hawks Basketball and the HB Magpies provincial rugby team. EIT support athletes from these sports and several others through scholarships for study, coaching and support services. EIT is nationally a top ranked institute of technology and has formalised partnerships with 19 Hawke's Bay secondary schools, who are part of the EIT HB Schools Trades Academy, which also runs Health and Fitness programmes with secondary school students, targeting educationally at-risk students. The EIT Schools Trades Academy is the largest trades academy initiative in NZ and in 2014 was a finalist in the Prime Minister's inaugural Educational Excellence Awards.

High Performance Sport

Local and national athletes from a wide variety of sports utilise EIT's dedicated physical conditioning space (EIT Gym facility) and the sport science testing services (EIT lab), both based at Pettigrew.Green Arena. The well-equipped lab is able to test for physiological and biomechanical markers required by national and international sporting codes in a range of exercise modalities, including rowing, cycling, running, ball and field sports. This lab is open to the community and has capacity for further utilisation.

A massage clinic located upstairs at PGA is currently used as a teaching space for Massage students and is open to the public also.

> the desired future state

Work by Sport Hawke's Bay has shown that people in the region want to try new activities. The 2013-2014 Sport and Active Regional Profile shows that some 66% of adults are interested in either trying a new sport/activity or doing more of an existing one – so the demand for greater participation clearly exists in Hawke's Bay.

It's also clear from the analysis that there is demand for a large-scale, flexible venue that can meet the growing need for indoor sport, concerts and events in Hawke's Bay. Meeting this demand will have positive outcomes for the region – in health and well-being, social cohesion and economic development.

Accordingly, there needs to be a regional indoor Hawke's Bay recreational and sporting facility that can flexibly host large-

scale regional and national events and tournaments, and which can cater to the current and likely future demand for indoor sport and active recreation, as well as contributing to the events capacity of the region. The facility must be able to:

- Cater to the growing sporting codes where there is already a demand for more space
- Assist codes that are currently not growing because of limited facilities to increase their participation rates
- Have sufficient flexibility to accommodate changes in sporting codes and user group participation in the decades ahead
- Be sufficiently versatile that it can host concerts, trade shows and other events, whilst minimising the conflict between event staging and sporting participation
- Provide the facilities necessary for sports and recreation education to continue to grow

The intention is that it should provide the greatest possible opportunity to increase sporting and recreational participation for the widest range of people in Hawke's Bay.

In addition, it is preferable that the facility meets the needs of the widest possible range of stakeholders – the voluntary and commercial organisations that wish to run large-scale indoor events, the educational institutions that are looking to expand their sports education programmes, and the community groups and individuals who are seeking casual meeting spaces and reasons to simply participate in the activity around them.

In order for the venue to be attractive to this wide range of users, it must be attractive in its own right, easily accessible from a transport perspective, and preferably linked to other facilities that can provide additional reasons for visiting.

> investment objectives

The investment objectives of this proposal are therefore:

1. To increase the opportunities for participation in active recreational events and activities in Hawke's Bay
2. To provide an adequate supply of flexible indoor spaces for sports that are growing in popularity with the Hawke's Bay public, whilst allowing for the mix of codes to change over time
3. To provide additional capacity for sporting and active recreational opportunities in education, for primary, secondary and tertiary students, and as a pathway to employment
4. To increase the number of visitor nights to the region by ensuring that Hawke's Bay can host national and regional-scale events, recreational activities and sporting tournaments

> the importance of taking action

There are a number of reasons why action needs to be taken to achieve these objectives:

- Participation rates are static in some sporting codes as there is no ability to grow, given the constraints on facility size and usage, with some venues at or near capacity in peak times. There is also a demonstrated overhang in demand for indoor venues from some codes, such as cycling, basketball and others.
- The static participation rate is a material issue for Hawke's Bay, given that its health outcomes and life expectancy already lag the rest of the country. Increasing participation in active recreation and sport is an effective and affordable way to improve the long-term health of the region and reverse the health gap between Hawke's Bay and the rest of New Zealand.
- Due to the limitations of venue size and configuration, Hawke's Bay is missing out on its share of national and regional events and tournaments, which in turn is acting as a brake on growing visitor numbers to the region.
- However, there is a growing level of conflict between the desire to increase the number of recreational and other events and the desire to increase sporting participation. This is likely to worsen over time as pressure increases on venues, given the desire by more sporting codes to move indoors. In the case of Pettigrew Green Arena, an additional factor is the desire of EIT to expand its educational offerings by making use of more space at the facility, which will in turn put further pressure on a venue that is already running at 93% utilisation in peak times.

These challenges will only worsen over time, and the impacts from not addressing them – in both health and economic terms – will increase.

> investment scope

Bearing in mind the drivers for the proposed investment, the following scope has been defined:

- Construction of a versatile regional multi-use recreational and sporting facility that is able to meet the current and future needs of people in Hawke's Bay
- The facility must be able to accommodate the current high-demand sports of cycling, basketball, volleyball, futsal, netball and badminton in as flexible manner as possible
- The facility must be large enough to accommodate regional and national tournaments in order to bring additional visitors into Hawke's Bay
- The venue must also be flexible enough to accommodate indoor events such as trade shows and home shows without heavily detrimental effects on regular scheduled sporting participation
- The facility must be close enough to transport links and population centres to allow for easy access by as many people as possible in Hawke's Bay, and should leverage existing infrastructure as much as possible
- The needs of non-sporting stakeholders such as educational users are addressed.

This represents a variation from the scope in the Indicative Business Case, following the consultation process with the Hawke's Bay community and key stakeholders.

> proposed scope of work

Based on the investment scope, the proposed scope of work is as follows:

- Construction of a modern flexible multi-use recreational and educational venue that meets the current and likely future needs of a range of user groups in the Hawke's Bay community
- Construction of flexible facilities for growing sporting codes (including cycling, basketball, volleyball and futsal) within the multi-use facility
- Construction of ancillary support facilities such as changing rooms, toilets and car parking
- The location and configuration of the proposed facility is assessed in the Economic Case later in this document.

> strategic alignment

There are a number of key points of alignment with Council and regional strategies, as follows:

Council strategic alignment

- NCC Long Term Plan 2015-2025
- NCC City Vision – working with our communities

Regional strategic alignment

- Hawke's Bay Health Equity report
- Hawke's Bay Regional Sports Facilities Plan 2015
- Draft Regional Economic Development Strategy 2015
- EIT future expansion plans

National strategic alignment

- Sport NZ Community Sport Strategy

> investment risks

There are a number of risks associated with the proposed investment. The key categories of risk are:

Solution Risks

- Incorrect scope for the multi-use facility may lead to a design that is not fit for purpose, resulting in a lower utilisation than has been forecast
- Incorrect configuration for the EIT components may lead to a design that is not fully suitable for EIT's needs, resulting in lower use by students and lower revenues from EIT
- The mix of sporting codes within the facility may change during the design and construction process, leading to a sub-optimal design and lower utilisation

Construction Risks

- There may be geotechnical or other issues that come to light after construction has commenced, leading to higher costs and longer construction times than has been budgeted
- There may be cost over-runs in the construction project, leading to the requirement for additional ratepayer funding and a lower return on investment than has been forecast
- There may be delays in the construction project leading to potentially higher costs, the requirement for additional ratepayer funding and a lower return on investment than has been forecast
- The delays in receiving funds from commercial sponsors and public contributions may require the Council to provide bridging finance, leading to higher finance costs and potentially a rates impact for Napier City Council ratepayers

Operation Risks

- The external economic or societal circumstances for the region may change and the expected community outcomes cannot be achieved
- There may be insufficient demand from sports bodies and event organisers than has been forecast, leading to lower utilisation than has been forecast and lower revenues
- The costs of operating the completed facility may be higher than forecast, leading to higher subsidies being required from the Council and undermining the long-term financial stability of the venue

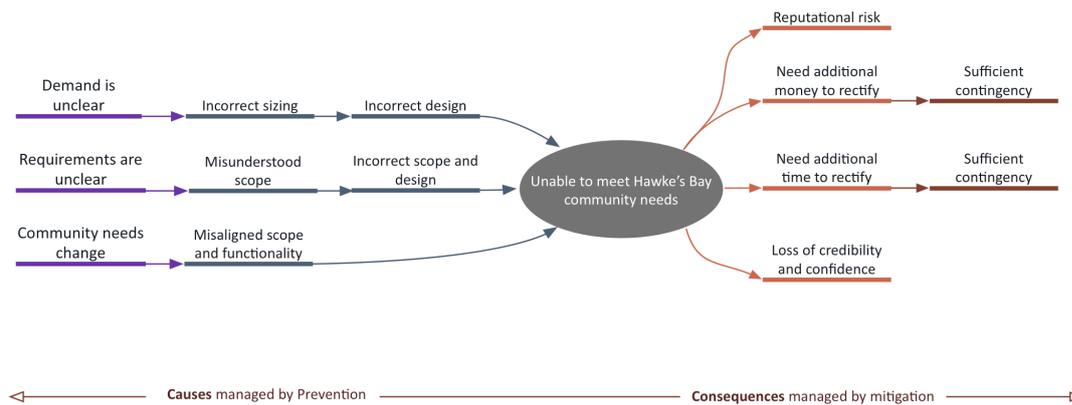
The risks have been assessed for probability and impact as part of the Economic Case later in the document

Benefit Realisation Risks

In comparison with the relatively straightforward risks associated with delivery of the proposed investment, the outcome risks are significantly more acute and more complex to manage. This situation arises because they encapsulate the challenges associated with ensuring the community outcomes desired by the Council are delivered as a result of the investment.

The nature of the risks means that it is difficult to quantify either the probability or the likelihood with any degree of rigor, as there are a significant number of interlinked challenges and interventions. In accordance with more advanced risk management methodologies, the outcome risks have been assessed using a bowtie analysis, which is shown as follows:

Figure 2: Outcome risks diagram



Detailed analysis of the risk bowtie is conducted in the relevant section of the Economic Case later in the document.

> investment constraints

There are a number of constraints that apply to this investment:

1. Any alterations to existing venues or major construction must be conducted in a manner that reduces disruption to existing sport and recreation activities, particularly external events bookings, so that participation rates are not adversely affected in the long term.
2. There is a dependency on obtaining sufficient external funding support to proceed with the project. The Council is only contributing a portion of the capital funding, so in order to proceed the project must attract sufficient sponsorship and support for construction to commence.
3. There are likely to be constraints on how rapidly external funding arrives, which in many cases will be at the conclusion of the construction project. This in turn may drive the requirement for transitional or bridging finance during the construction phase, which may impose additional burdens on the Council and the ratepayers.
4. There are constraints on land zoning and usage, and on geotechnical conditions, which may put constraints on the design depending on the location chosen.

> conclusions from the strategic assessment

Hawke's Bay is noticeably lagging the rest of New Zealand when it comes to health outcomes, and there is a strong linkage between participation in active recreation and sport and improved health. In addition, there is also a strong linkage to community cohesion and social well-being from participation. Increasing the participation in active recreation and sport is an effective and affordable way to improve the long-term health and social integration of the region.

While the Council provides or supports a range of recreational and sporting facilities, the participation rates are static in some sporting codes as there is limited ability to grow. There are constraints on facility size and usage, with some venues at or near capacity in peak times. There is also a demonstrated overhang in demand for indoor venues from some sporting codes, such as cycling, basketball and others.

Due to the limitations of venue size and configuration, Hawke's Bay is also missing out on its share of national and regional events and tournaments, which in turn is acting as a brake on growing visitor numbers to the region. There are economic growth opportunities that are being missed as a result of the current configuration of venues.

These problems will only worsen over time. Accordingly, it is incumbent on the Council under the Local Government Act to investigate how they can be addressed and suitable facilities provided, in a way that is cost effective for ratepayers and businesses.

The image features a dark, almost black background. In the lower half, there is a perspective view of a wooden floor with parallel planks, illuminated from the side, creating a warm, golden-brown glow. Several white, thick, curved lines are drawn across the scene, creating a sense of depth and movement. One line curves from the left towards the center, another from the top right towards the center, and a third from the bottom left towards the center, all appearing to converge or interact in the middle ground.

Economic Case

Determining potential value for money

> options assessment

The first step in determining the potential value for money of any solution is to assess the options that are available to the Council to deliver the investment objectives, taking into consideration the planning and asset management constraints. In the Better Business Cases methodology, this is a multi-step process as follows:

1. Determine the dimensions of the possible solutions and develop a long-list of available options
2. Assess the long-list options against the investment objectives to determine whether each solution will meet the full range of requirements
3. Assess the long-list options against the critical success factors used in the Better Business Cases methodology to determine their viability
4. Develop a preferred solution based on the assessments.

This is the process that forms the structure of this section of the business case.

> investment objectives and critical success factors

The purpose of the investment objectives and the critical success factors is to provide the criteria against which the various alternative investment options can be evaluated; preferable options will have good alignment to the objectives, while poor options will show only limited alignment.

The investment objectives of this proposal are:

- To increase the opportunities for participation in active recreational events and activities in Hawke's Bay
- To provide an adequate supply of flexible indoor spaces for sports that are growing in popularity with the Hawke's Bay public, whilst allowing for the mix of codes to change over time
- To provide additional capacity for sporting and active recreational opportunities in education, for primary, secondary and tertiary students, and as a pathway to employment
- To increase the number of visitor nights to the region by ensuring that Hawke's Bay can host national and regional-scale events, recreational activities and sporting tournaments

All options have been assessed against their ability to meet the investment objectives, as shown in the following table.

The Treasury best practise critical success factors have also been assessed for each option. These are:

- Strategic fit and business needs
- Potential value for money
- Supplier capacity and capability
- Potential affordability
- Potential achievability

In addition to the standard Critical Success Factors, there is an additional regulatory element that must be observed by any viable option. This is:

- The option must ensure that the constraints in the regional land use and transport plans are observed.

Accordingly, this additional regulatory factor has been added to the assessment table.

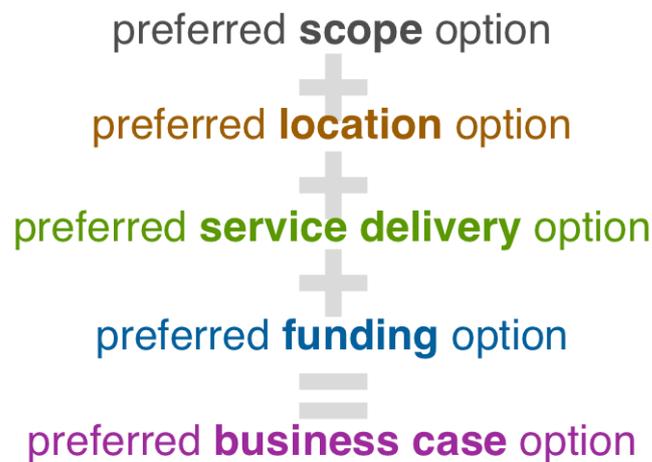
> option dimensions and long list

The option dimensions were developed over a number of workshop session with stakeholders. As a result of these deliberations, four option dimensions were identified. These are:

- The scope of the solutions, ranging from “do nothing” to an aspirational regional multi-use facility
- The location options, ranging from a green-fields location through to utilising existing Council land and buildings
- The service delivery options, ranging from the Council owning and operating the entire facility through to a complete out-sourcing to the private sector
- The funding options, from being fully funded by the Council through to full funding from the private sector.

It should be noted that the different option dimensions interact with one another to produce the short-listed and preferred option; in other words, the preferred option is constructed from the preferred option in each of the dimensions. This can be shown graphically as follows:

Figure 3: Option concatenation diagram



Analysis in the workshops showed that there are no viable implementation options other than to construct the proposed facility in a single stage, due to the likely design and size of the building. Accordingly, no further analysis of a multi-stage approach was conducted.

Table 9: Options analysis long-list

Description		Scope				Location (Where)							Service Delivery (Who)		Funding				
		Do nothing	Stand-alone velodrome	Stand-alone indoor courts	Multi-use facility in a new location	Multi-use facility in an existing location	Anderson Park	Hawke's Bay Airport Business Park	Lagoon Farm Business Park	Park Island - Old Kiwifruit Orchard	PGA & EIT	Prebensen Drive at the Servern Street intersection	Sports Park Hawke's Bay	New facility is council managed and operated	New facility is leased from the Council by an external organisation	Solely Council funded	Solely private sector funded	Solely trust and public donation funded	Mixed funding from multiple sources
Investment Objectives	1. To increase the opportunities for participation in active recreational events and activities in Hawke's Bay	No	Partial	Partial	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
	2. To provide an adequate supply of flexible indoor spaces for sports that are growing in popularity with the Hawke's Bay public, whilst allowing for the mix of codes to change over time	No	No	Partial	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
	3. To provide additional capacity for sporting and active recreational opportunities in education, for primary, secondary and tertiary students, and as a pathway to employment	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
	4. To increase the number of visitor nights to the region by ensuring that Hawke's Bay can host national and regional-scale events, recreational activities and sporting tournaments	No	Partial	Partial	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Critical Success Factors	Strategic fit and business needs	No	Partial	Partial	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Partial	Yes	Partial	Partial	Yes	Yes
	Potential value for money	Partial	No	No	Yes	Yes	Yes	Yes	Partial	Partial	Yes	Partial	Yes	Yes	Yes	No	Yes	Yes	Yes
	Supplier capacity and capability	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Partial	Partial	Yes
	Potential affordability	Yes	Partial	Partial	Yes	Yes	Yes	Yes	Partial	Partial	Yes	Partial	Yes	Partial	Yes	No	Yes	Yes	Yes
	Potential achievability	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Partial	Partial	Yes	Partial	Yes	Yes	Yes	Yes	Partial	No	Yes
Conforms to Council land use and transport plans	Yes	Yes	Yes	Unknown	Unknown	Partial	Partial	Partial	Partial	Yes	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes	
Summary		No	No	No	Yes	Yes	Partial	Partial	No	No	Yes	No	No	Partial	Yes	No	No	No	Yes
Option Progressed to Solution Option Short List		No	No	No	Yes	Yes	Partial	Partial	No	No	Yes	No	No	No	Yes	No	No	No	Yes

From the table it can be seen that some options in each dimension are unlikely to meet either an investment objective or a critical success factor. On this basis, they have been discarded and are not assessed any further in this business case.

Options that are likely to meet all the investment objectives have been carried through to the short list, as have options that may meet the criteria and carry a lower level of risk or uncertainty. The analysis is as follows:

Table 10: Options analysis short list

Option	Description
Scope Options	
Multi-use facility in a new location	A multi-use facility incorporating a velodrome is constructed at a green fields site
Multi-use facility in an existing location	A multi-use facility incorporating a velodrome is constructed adjacent to or in close proximity to other existing regional facilities
Location Options	
PGA & EIT	Construction occurs on land adjacent to the PGA & EIT facility
Service Delivery Options	
New facility is leased from the Council by an external organisation	The Council does not participate in the day-to-day operation of the new facility, but provides a partial financial commitment to its operating and capital renewal costs
Funding Options	
Mixed funding from multiple sources	Capital funding from the project is sourced from the Council, the corporate sector, philanthropic trusts, government and public donations

Given the importance and consequence of the location decision, further analysis was undertaken to ascertain whether the high-level assessment in the options analysis was correct.

> assessing the correct location

Based on the scope set out in the IBC, Park Island Northern Hub location was the recommended site for the proposed facility for two main reasons:

- The land available at Pettigrew Green Arena was considered to have a wider range of potential future uses than the land available at Park Island, and constructing a multi-use velodrome on the available land would preclude any other development options.
- Park Island is a key facility for Napier City, and the construction of a multi-use arena with indoor courts and a cycling track at Park Island was thought to provide impetus for future construction of additional modern and relevant sports facilities at Park Island by co-locating multiple sports within a single facility.

As part of the process of developing the detailed business case, the location of the proposed facility was re-examined in light of the changed scope. This has meant that all assumptions about where the venue should be located have been reassessed from first principles.

There are a range of sites for the facility that may be suitable

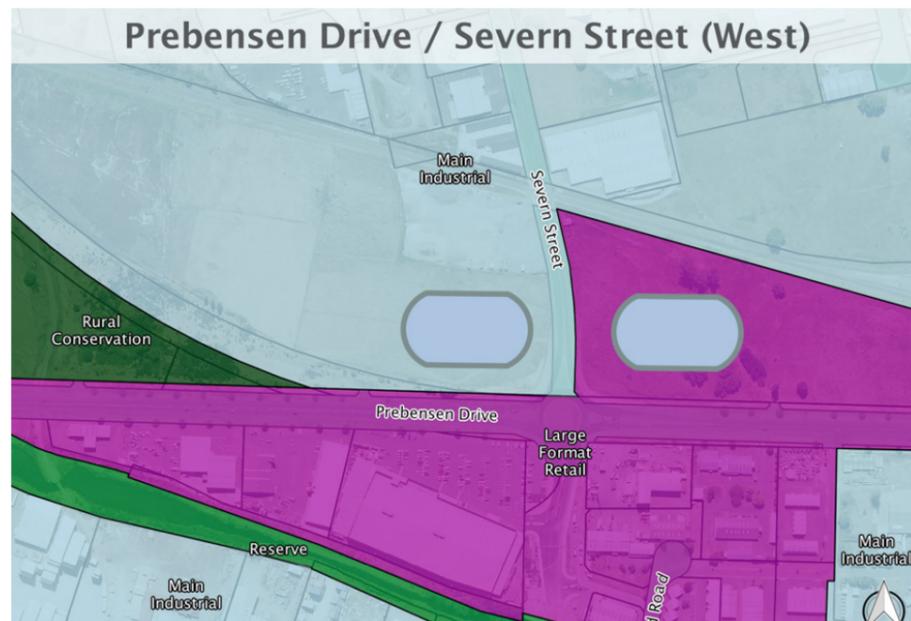
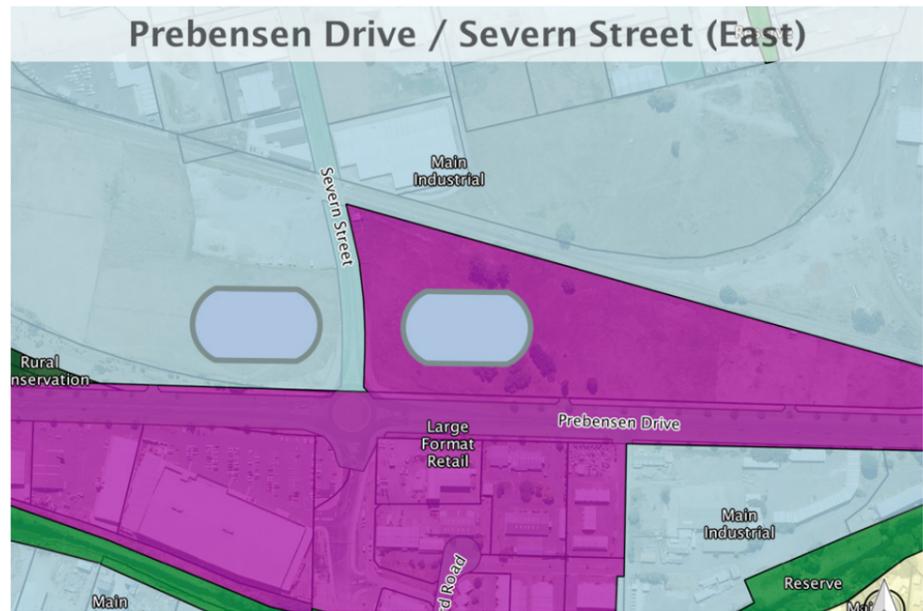
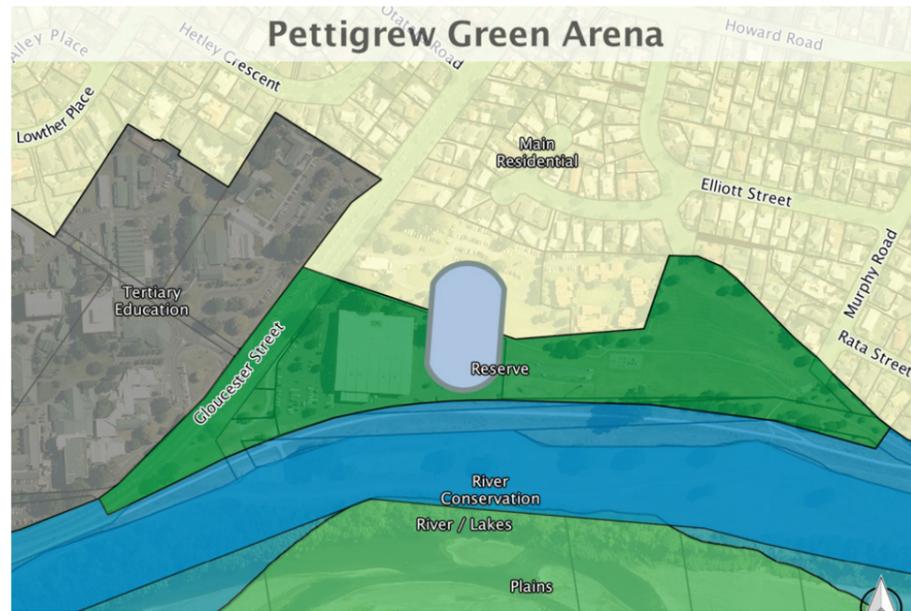
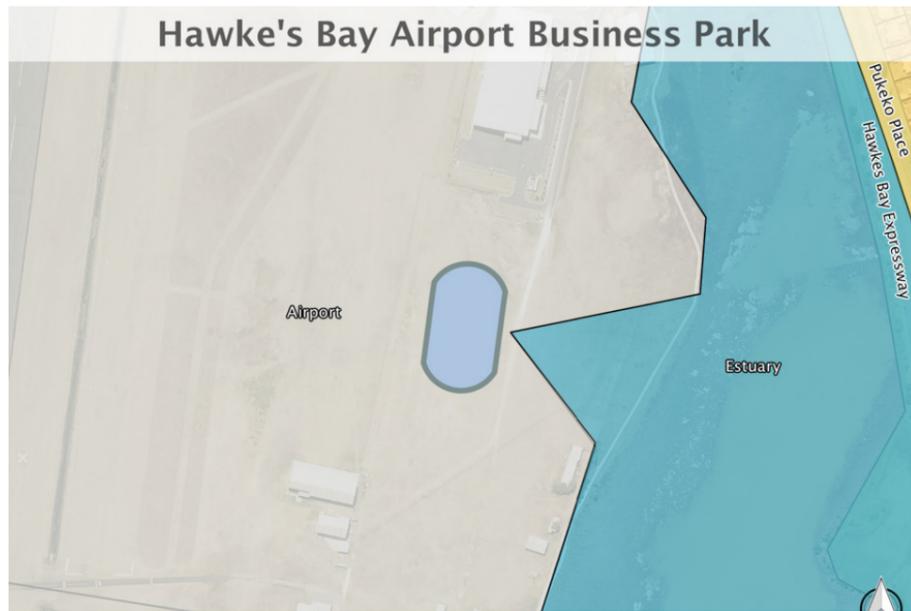
Seven potential sites were assessed for suitability:

1. Anderson Park
2. Hawke's Bay Airport Business Park
3. Lagoon Farm Business Park
4. Park Island – Old Kiwifruit orchard
5. Pettigrew Green Arena (known as PGA & EIT)
6. Prebensen Drive at the intersection of Severn Street, West and East options
7. Sports Park Hawke's Bay

In a number of cases, land is not currently owned by the Council so suitable arrangements would need to be entered into. In one case – Sports Park Hawke's Bay – the site is outside the territorial local authority area of the Council, so there may be some restrictions in legislation on whether it is feasible for the Council to invest at this location.



The possible locations of the multi-use facility on each site are as shown – please note that the siting of the facility on each map is purely for visualisation purposes only.



An assessment was undertaken to look at the suitability of each site for the proposed investment. A number of factors were considered:

- The current ownership and tenure arrangements for the land, as well as the zoning of the site under the Council's District Plan, the current dominant use of the land and the neighbouring sites
- Any consenting matters that would arise from construction of a new facility
- The available space for the proposed facility and any future expansion
- The visibility of a suitably-sized structure on the land
- The accessibility of the site, the travel time or distance from EIT and the transport linkages to the city and the wider region
- Whether there is space to provide sufficient onsite parking, and whether there is the possibility of integration with existing facilities
- Any known geotechnical conditions or issues

Table 11: Site analysis table

Parameter	Anderson Park	Airport Business Park	Lagoon Farm Business Park	Park Island – Old Kiwifruit orchard	PGA & EIT	Prebensen Drive/Severn Street	Sports Park Hawke's Bay
Current ownership	Napier City Council	Hawke's Bay Airport Limited?	Napier City Council	Napier City Council	Napier City Council and Eastern Institute of Technology (EIT)	Crown?	Hastings District Council
Land Tenure	NCC Reserve	Freehold/Leasehold	Fee simple?	Freehold	PGA (Local Purpose Reserve) and EIT (Freehold)	?	?
District Plan zoning	Reserve within Main Residential zone	Airport	Business Park	Sports Park	Southern site: Local Reserve and Reserve Northern Site: Main residential	North east: Large Format Retail North west: Main industrial	Main site: Sports Park Hawke's Bay Eastern site: Deferred Hawke's Bay Regional Sports Park
Existing dominant use: On site	Passive recreation reserve	Business Park	Farming	At present very little but earmarked for sports fields Residential	Passive recreation reserve and EIT (formerly camping ground) largely used for parking	Open areas at present	Sports Park on the main site, farming on the deferred site
Neighbouring sites	Main residential, all round, collector roads on southern and western boundaries, community facilities (emergency services, Salvation Army and Health Care facilities) to the south east	Within Airport Business Park, Conservation to the west and south, main road and residential to the east	Adjacent to open drains and main roads. Residential to the south		River to the south, existing PGA and EIT to the west, main residential to the north	Main road and large format retail to the south, industrial to the north	Main road on northern boundary, farming and rural activity all round
Consenting matters	Not the anticipated use and a large building is expected to be an issue	Not the anticipated use	Not the anticipated use	Sport Park zone is a good fit	Already the site for a Regional Indoor Sports facility.	Not the anticipated use	Hawke's Bay Regional Sports Park is a good fit
Available space Main arena Future expansion	Yes Yes	Yes Yes	Yes Yes	Yes Yes	Yes Yes	Yes Yes	Yes Yes
Visibility	Probably a controversial building on an iconic reserve Good visibility from Kennedy Road (arterial road)	Noticeable building Good visibility from expressway	Landmark Good visibility from the expressway	Noticeable building Limited visibility from Prebensen Drive (arterial road)	Noticeable building Good visibility from Gloucester Street (arterial road)	Noticeable building Good visibility from Prebensen Drive	Landmark Good visibility from expressway
Accessibility	Poor access from Auckland Road, Kennedy Road	Access via airport entrance. Not good at present but expected to be much improved from Watchman Road	Good access from Prebensen Drive to the south. New culvert required across overflow channel at Orotu roundabout.	Good access from collector road to the west (Orotu Drive) with roundabouts onto Prebensen Dr and Westminster Ave.	Access from Gloucester Street is challenging during peak traffic periods	Good access from new roundabout on Severn Street offering access onto Prebensen Drive via existing roundabout	Good Access from Evenden Road onto expressway
Travel time and distance from EIT for synergies with EIT/Sport Science	7 minutes 3.6 km	13 minutes 11.4 km	10 minutes 7.9 km	10 minutes 5.2 km	Directly opposite	11 minutes 8.9 km	9 minutes 9.6 km
Transport linkages	Arterial road to the south (Kennedy) and Principal Road to the west (York)	Expressway	Arterial road to the south (Prebensen) Expressway to the east.	Access from collector road to the west (Orotu Drive) Principal road to the south (Westminster) Arterial road to the north (Prebensen) Near bus route 13	Gloucester Street is an arterial route. Access from expressway via Links Road or Meeanee Road. On bus route 12 (Napier / Hastings link)	Arterial road to the south (Prebensen)	Expressway
Space to provide for parking	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Integration with existing facilities	No direct integration	No direct integration	No direct integration	Some integration with proposed northern sports hub	Good integration with existing PGA's indoor sports facilities	No direct integration	Integration with outdoor sports' facilities
Geotechnical conditions	Unknown but likely to be workable	Workable – ABB building was constructed fairly recently	Deep piles and ground improvements required. Poorer than the Old Kiwifruit Orchard	Deep piles and ground improvements required	Shallow piles (6m) required on southern portion of site, deeper piles (14m) required on liquefiable area on the northern part of the site	Challenging	Workable. Regional Sports Park site where substantial structures have already been constructed
Catchment (1,000 people within radii)	2km	21,800	1,600	6,600	10,500	10,500	14,500
	5km	51,200	29,200	50,600	55,000	29,300	47,600
	10km	61,400	59,800	60,000	60,900	83,500	60,700
	20km	126,200	106,000	121,400	125,100	126,700	121,300

In order to rank the sites in order of suitability, the following scores were applied to each of the factors:

2 – Outstanding; more than meets the Project’s requirements, superior compared to other options.

1 – Above average; more than meets the Project’s requirements, between average and superior.

0 – Average; meets the Project’s requirements.

-1 Below Average; does not meet the Project’s requirements but could in future.

-2 Far Below Average; will never the Project’s requirements.

Table 12: Suitability scores by location

Parameter	Anderson Park	Hawke’s Bay Airport Business Park	Lagoon Farm Business Park	Park Island – Old Kiwifruit orchard	PGA & EIT	Prebensen Drive/Severn Street	Sport Park Hawke’s Bay
Current ownership	1	-1	2	2	1	-1	-1
Land Tenure	1 (Reserve)	0	2 (Freehold)	2 (Freehold)	1 (Reserve & Freehold)	-1 (Crown ?)	-1 (HDC owned?)
District Plan zoning	0	-1	-1	2	1	0	2
Existing dominant use							
On site	-2	-1	0	1	2	-1	1
Neighbouring sites	0	1	1	2	1	1	2
Consenting matters	-2	-1	-1	2	1	0	2
Available space	0	0	0	0	0	0	0
Court space							
Future expansion							
Visibility	-1	1	2	1	1	1	2
Accessibility	-1	-1 now 2 future	1	1	1	1	2
Transport linkages	-1	1	1	1	2 (on a bus route)	0	1
Space to provide for parking	1	0	2	2	1	0	1
Proximity to Accommodation	0	0	0	0	0	0	-1
Integration with existing facilities	-1	-1	-1	0	2	-1	0
Geotechnical conditions	0	0	-2	-1	1	-2	0
Catchment (people within radii)	1	0	0	1	1	1	0
Total	-5	0 to -3	6	16	16	-2	10
Shortlist?	No	No	No	Yes	Yes	No	No

The resulting ranking identified two potential sites for further consideration: Park Island and the area around the Pettigrew Green Arena.

Park Island is a potential site

The Council’s initiative for Park Island began in 1981, as part of the Napier City Council’s overall plan for recreation facility provision in the city. Sixty-eight hectares of rural land on the western outskirts of the city were set aside for future development as a comprehensive recreation facility that would provide for a wide range of sports and recreation activities. Since that time, approximately 50 hectares of that land has been developed for sports grounds purposes.

In 2013 NCC adopted the Park Island Master Plan that proposes the development of the remaining undeveloped areas of the park that will revitalize and expand Park Island. In addition, approximately 25 hectares will be added to park’s footprint, ensuring it continues to meet demand well into the future. NCC’s vision for Park Island as set out in its Master Plan is:

Park Island is recognised and supported locally, regionally and nationally as the referred outdoor sporting venue for local club competitions and national tournaments.

As noted in the Indicative Business Case, over the last three decades the Council has developed additional facilities at Park

Island in response to requests from sporting groups and citizens. Development of additional facilities at the sports complex has generally proceeded from approaches by sporting codes to the Council, which generally reflects the growth in participation in various sports. Each of the proposals for additional facilities has been assessed on its merits, in the context of the Park Island Master Plan.

There are a mix of factors that influence whether the proposed facility is a good match for the Council's vision of development at Park Island:

Positive alignment

- Northern hub – provision has been made in the Master Plan for more intensive use of the northern hub
- Multi-use – the facility will be suitable for use by a range of indoor sporting codes including cycling, basketball, volleyball, futsal and gym sports
- Sporting code commitment – there has been a high level of commitment from the sporting codes to utilise the facility, which provides some confidence that patronage of a high-value area of Park Island is likely to be in line with the projections provided

Negative alignment

- Indoor facility – it is likely to be a significantly-sized building that depending on design could be visually imposing, which is not in alignment with the intention to keep Park Island as a predominantly open space for outdoor sports
- Proximity to other facilities – the location is some distance from other indoor venues and it is therefore likely to function as a standalone facility

On balance, the primary challenge for the Park Island is that the size and scale of the proposed facility is not aligned with the desire to keep Park Island as an open space.

Pettigrew Green is a potential site

As noted above, Pettigrew Green is not a Council facility – rather, the RISEC Trust owns the building which is located on land designated as recreational reserve and owned by the Council. The location of the facility was originally chosen based on its proximity to EIT and being approximately half way between the major cities.

In 2013, RISEC put in place an agreed Ten Year Transitional Business Plan 2013 –2022 which identified a growth strategy for increasing capacity and increasing capability at the PGA, and set out milestone strategies to be met over the ten years. These milestones are largely aligned with the Council's intentions, as follows:

Positive alignment

- Multi-use – the facility will be suitable for use by a range of indoor sporting codes codes including cycling, basketball, volleyball, futsal and gym sports, many of whom already use Pettigrew Green Arena
- Sporting code commitment – there has been a high level of commitment from the sporting codes to utilise the facility, which provides some confidence that patronage is likely to be in line with the projections
- Synergy with existing facilities – the proposed facility can be directly connected to the existing Arena, making it highly flexible compared to other options
- Synergy with EIT – the location means that EIT will be able to develop its educational programmes in the context of a new facility

Negative alignment

- Neighbourhood impacts – the site is close to other buildings than would be the case at Park Island, so there may be detrimental effects on neighbours from traffic, parking and noise.

On balance, the Pettigrew Green Arena location has the strongest alignment with the investment objectives.

Geotechnical and consent investigations were undertaken

To further assess the merits and appropriateness of both sites, the Council commissioned two studies that were more aligned to constructability; Tonkin and Taylor were contracted to undertake geotechnical investigations of both sites, and a planning assessment was conducted by Sage Planning HB Limited into the likely town planning and consenting issues. The summary is as follows:

Table 13: Geotechnical and consent issues

Site	Findings
Park Island	<p>Geotechnical: Foundation design is considered challenging. Ground improvements will be required for shallow foundations but differential settlement is expected to occur due to the variability in depth of the underlying sandstone (Petane Formation) or limestone, from 7m deep near the cemetery hill to 26m deep further away. If piled foundations were used the piles would have to be driven into the sandstone/limestone formation. Piled foundations at the Park Island Site are therefore likely to be more costly than at the PGA site. The liquefaction analyses results indicate that the risk of damage resulting from liquefaction of the upper 8m of soils under a Service Limit State event is minor and that the risk of damage resulting from liquefaction of the upper 10m of soils under an Ultimate Limit State magnitude event is moderate.</p> <p>Consent Matters: community-held expectations (particularly the expectations of purchasers of residential properties within the Parklands Residential Estate) of open space playing fields establishing in the Northern Sports Hub.</p>
PGA & EIT	<p>Geotechnical: It is considered that shallow foundations constructed on geogrid gravel rafts are suitable on both the northern and southern portions of the site. This option is likely to require significant further analysis. Alternatively, driven steel or timber pile foundations could be considered to support the building loads, if the structure is constructed on the gravel dominated southern portion of the site. Due to the variation in ground conditions piles in the northern portion of the site would need to be driven to in excess of 15 m. This could add significant cost to the project. Piles in the southern portion of the site will need to extend down in to the underlying gravel layer identified between 2.5m and 3m below ground level. Liquefaction is not expected to occur under Service Limit State conditions while under Ultimate Limit State conditions significant liquefaction may be triggered in the northern portion of the site. The gravels in the southern portion of the site are considered to have a low risk of liquefaction.</p> <p>Consent Matters: the close proximity of neighbouring suburban residential properties, noise management issues, traffic and parking issues, events, and issues around the viability of the remaining portion of Riverside Park.</p>

In summary, there are geotechnical issues with both sites that would need to be addressed in design and construction. Both sites will require resource consent as a discretionary activity, and both will likely generate a degree of community concern and be subject to a public notification process.

In relation to the land, the area likely to be utilised at Park Island site has one owner, NCC, however the area required by the footprint of the multi-use facility at PGA would require the facility to span not only land owned by NCC but also land owned by EIT, (referred to as PGA & EIT).

The regional sports plan needs to be considered

In evaluating the two potential locations, consideration was given to the commitments set out in the HBRSC Plan, namely: Proactive regional planning for all future international, national and regional sports facilities, based on better Business Case principles.

Partnering with schools and the private sector to meet sport facility needs as a first and not a last choice. An agreed regional funding model for the total cost of ownership (capital and operational) of existing and future international, national and regional sport facilities.

Sharing assets across user-groups rather than having single purpose sport facilities that are not fully utilised, with policies in place to achieve a balance of commercial and community use of sport facilities.

A comparison of the two locations in relation to the HBRSC Plan's commitments is summarised below.

Table 14: HBRSPF commitments table

Commitment	Park Island	PGA & EIT
Regional planning for future international, national and regional facilities	Yet to be fully developed	National and regional
Partnering with schools and private sector	Yet to be fully developed	Yes
Agreed regional funding	No, NCC only	Yes
Sharing assets across user-groups	Yet to be fully developed	Yes

Although the Council is a stakeholder in both locations, under the LGA it is charged with providing good-quality community assets that are appropriate for current and future use, and funded in a cost-effective manner:

- On one hand, Park Island is a green-field site that provides a high level of freedom from a design perspective. However, it is less connected to transport networks and is likely to require a higher level of supporting infrastructure, such as roading and car parking.
- In comparison, the PGA & EIT location provides the potential to utilise the existing facilities such as reception, changing rooms, offices and meetings rooms. However, the site imposes some additional design constraints in that any new structure must interact well with the existing PGA buildings and the surrounding neighbourhood.

Based on the analysis and public feedback process during the Long Term Plan consultation process, the PGA & EIT location is viewed as being the most suitable for the development of a regional multi-use facility.

Preferred option configuration

Based on the analysis, the configuration of the preferred option is:

- A multi-use facility connected to the existing Pettigrew Green Arena. The facility will have:
- Court space with a wooden floor that can accommodate three basketball courts to an international standard;
- An indoor wooden cycling track that is 250 metres long and 7 metres wide that meets category 2 standards;
- Lighting of 1,000 lux; and
- That the spectator seating around the cycling track will seat approximately 500 people
- Use of the facility by as many sporting codes as possible will take priority, so the infield will be configured for:
 - Basketball
 - Futsal
 - Volley Ball
 - Netball
- The velodrome track will be configured to meet the Cycling NZ high-performance standard. This requires:
- A UCI Category 2 Track with dimensions of 250m x 7m wide
- Lighting of 1000 Lux will be provided

The venue will be able to accommodate 950 to 1,000 spectators for sporting events, with the potential use of the infield for another 2,000 spectators for trade shows and other events. The site will have appropriate ancillary facilities – such as reception and meeting rooms – and onsite car parking.

A velodrome imposes design constraints on the building

The requirement for a multi-use facility that incorporates a velodrome has meant that a number of options have been assessed for how the goal could be achieved.

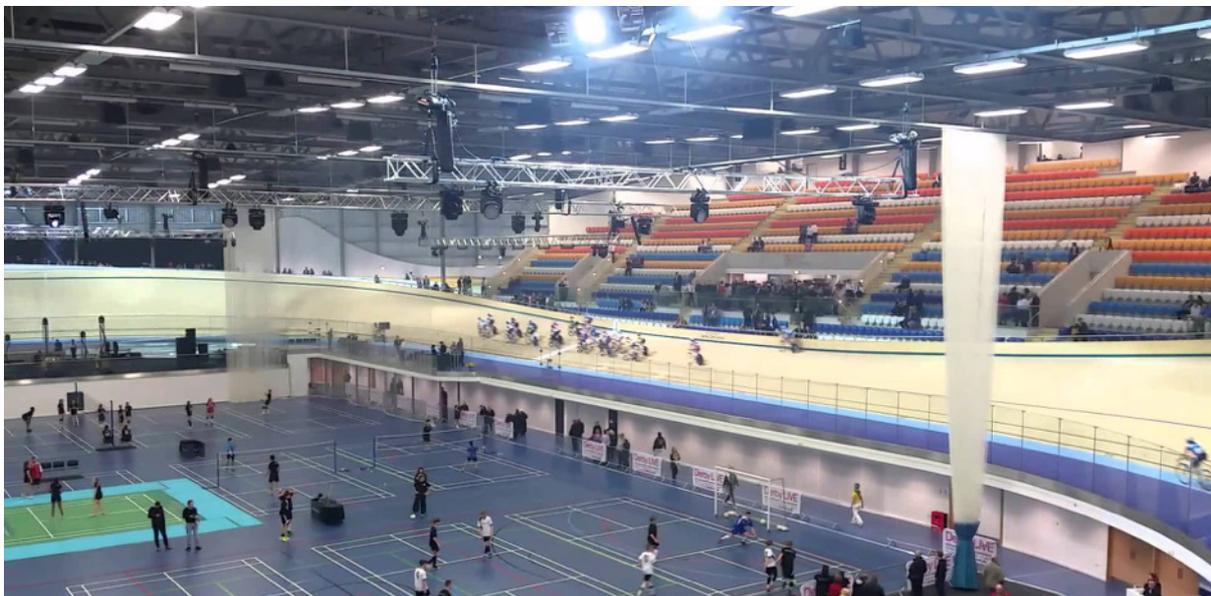
Key performance requirements for the new facility are that it must provide court space for a range of sporting codes and be large enough for three international sized basketball courts, and contain a cycling track. When the track and courts are on the same level or the track is slightly raised, the only way to provide access to the courts for people and vehicles is through tunnels under the track – and typically, one vehicle access tunnel and two spectator access tunnels would be required. When the inside of the track is placed on the same level as the courts and provision has been made for the tunnels ramps,

space for only two international sized basketball course remain. The length by which the tunnels ingress into the court space can be shortened by raising the track relative to the court space. A vertical offset of 1.2 metres would sufficiently shorten the ramps to allow space for three internationally sized basketball courts. Two international examples of raised tracks are the Hong Kong Velodrome and Derby Arena in England, shown in the photographs below.

Figure 13: Hong Kong Velodrome, Hong Kong (track raised 1.2m)



Figure 12: Derby Arena, Derby, England (track raised 2.8m)



One of the key criteria for the facility is multi-use by a wide range of sports codes and event types. To provide for multi-use of the court space it would be very useful to provide storage next to the courts, under the track. This can be achieved by raising the track to provide a clear space of 2.4 metres underneath it. A benefit of this arrangement is that it completely eliminates the need for vehicle and spectator access tunnels, potentially removing geotechnical complexities from the construction project.

The track covers an area of approximately 2,500 square metres. Only a portion of the space would be required for storage purposes, so a third option is to raise the track to provide 3 metres clear space underneath it, to make it possible to undertake a fit-out of the space under the track to provide quality space for uses, including office accommodation or retail.

The cost to raise the track increases with height, but so do the benefits. There is only a small cost difference in raising the track to provide clear space of 2.4 metres underneath it, compared with a 1.2 metres offset. And while there is an additional cost to raise the track to a full 3 metres height, it may prove financially viable to do so.

The specific configuration of the track and the building will be decided as part of the detailed design, which will also take into account the financial constraints applied to the investment.

A number of siting options are available

Infir was commissioned to undertake an analysis to identify the possible siting options by considering functional, facility and project specific variables. The alternatives are as follows:

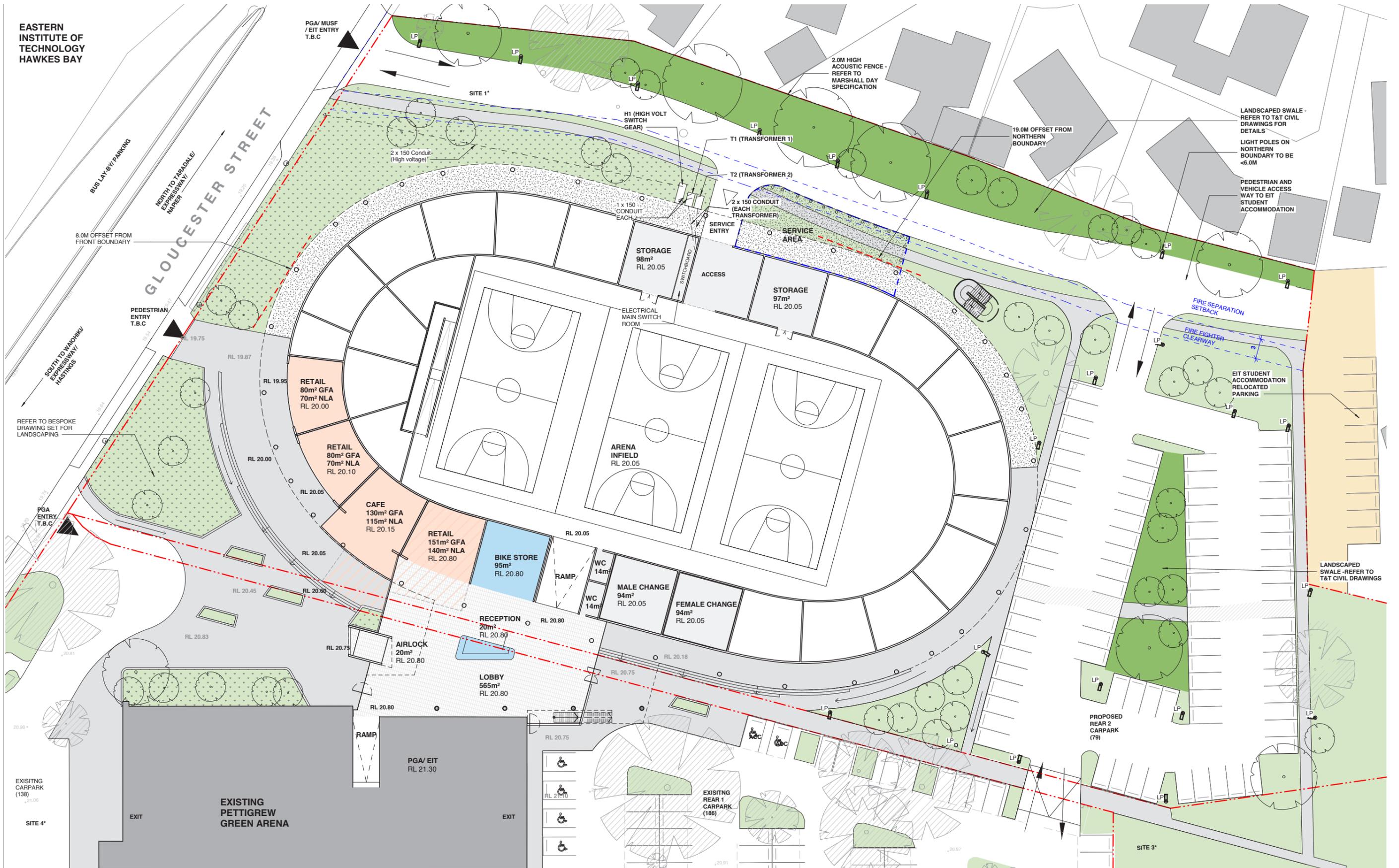
Table 15: Facility siting analysis

Option	1	2	3	4	5	6
Multi-use facility location	East of PGA	North of PGA				
Multi-use facility orientation	North/South	North/South	North/South	East/West	East/West	East/West
Track Included	Yes	Yes	Yes	Yes		Yes
Track level	Raised	Raised	Raised	Raised		Raised
Court linkage	On level					
Integration with PGA facilities	Integrated	Integrated	Standalone	Integrated	Integrated	Integrated
Spectator seating around track	500	1000	500	500		500

The assessment concluded that Option 1 produced the best design outcomes and was likely to have the fewest construction constraints, as well as offering the greatest flexibility for how the balance of the land surrounding Pettigrew Green Arena could be utilised in the future. Accordingly, this is the preferred siting option.

The concept design and siting drawings from Create Ltd are shown overleaf.

EASTERN INSTITUTE OF TECHNOLOGY HAWKES BAY



EXISTING CARPARK (138)
SITE 4*

EXISTING PETTIGREW GREEN ARENA



There have been detailed discussions with stakeholders

The co-location of the multi-use facility at the PGA & EIT site has required detailed stakeholder discussions with representatives of both the RISEC Trust and EIT.

Land Tenure

The area available at the proposed PGA & EIT site is an area made up of three different titles; to the north of the PGA building is EIT owned freehold land, the PGA building is located on Council-owned recreational reserve land and to the east is the Riverside Park which is Council-owned reserve land.

The current Pettigrew Green Arena building is on part of the Riverside Reserve (4.9ha) owned by Council, of which 2.1ha is leased to the RISEC Trust. The lease agreement between the Council and the RISEC Trust stipulates that the sole purpose for which the RISEC Trust must use the land is the operation of the Stadium as regional sports, performing arts and events centre including any other activities customarily undertaken with those operations.

Any alterations to the grounds or building would require agreement between the RISEC Trust and the Council. Doing so is covered by the Deed of Management of Pettigrew Green Arena¹³, whereby the RISEC Trust can carry out any redevelopment of the PGA building, carpark and landscape areas if it:

- Meets compliance requirements of Regional or District Plans
- Arranges funding ahead of tendering for the work
- Obtains necessary resource and building consents
- Consults with its stakeholder group (Chairperson RISEC Trust and Chief Financial Officers of the Council, HDC and EIT or such other persons that report to the Chief Executive Officers)
- Has written consent from the Council

The discussions with the RISEC Trust have identified their desire to retain the ability to add additional indoor courts at some time in the future, and that integration of the multi-use facility with the current Arena building should enhance and not substantially impact the current business model. The proposed siting to the east of the existing building achieves both these requirements, and leaves areas to the west and north of the current building for future expansion.

Currently the Council is negotiating a Memorandum of Understanding with the RISEC Trust and with EIT which includes agreement in principle to the proposed approach and the siting of the multi-use facility on the Pettigrew Green Arena and EIT properties. These negotiations will be completed in the next stage of the project. Formal agreements would then need to be put in place regarding land tenure and potentially ownership of the proposed development.

Tenancy

The integration of the multi-use facility with the existing building may require the reconfiguration of an area inside the building.

Under the original agreement between the parties to the Deed of Management of the Pettigrew Green Arena, the current facility was deemed to be essential for the provision of existing and future EIT academic programmes and research requirements. For this purpose, EIT's agreement with the RISEC Trust provided exclusive and priority rights for the use of certain identified facilities at EIT scheduled times throughout each year, much of which was traditionally low use times of the day. The Council will need to work through the implications of any planned reconfiguration of the area around the current building, and in particular be mindful of existing sublease agreements between the RISEC Trust and EIT that subleases 269 sq metres to EIT.

¹³ Deed of Management of Pettigrew Green Arena, Napier City Council, Hastings District Council, Eastern Institute of technology, Regional Indoor Sports and Events Centre Trust, Clause 7, 13 August 2013

Parking

The Deed of Sublease between the RISEC Trust and EIT confers the right for EIT to use the public carparks around the PGA building for the students, staff and people in relation to EIT's activities in the subleased area of the PGA building. Future discussions with these stakeholders will take into consideration these arrangements.

There are a number of functional requirements that will define how the multi-use facility is designed and sited.

The design is consistent with international and NZ best practice

Professor Kourosh Kayvani, Global Building Structures Leader for Aurecon, stated that increasingly, stadiums must be adaptable, high performing buildings that achieve multi-use functionality¹⁴. This is reflected in three of the newest velodromes in the world, see Table 16 below.

Table 16: International velodrome comparisons

Feature	Mattamy Velodrome - Milton, Canada	Derby Arena, Derby, England	Hong Kong Velodrome, Hong Kong
Opened	January 2015	January 2015	December 2013
Length	250m cycle track	250m cycle track	250m cycle track
Track Level	Raised 1.2m	Raised 2.8m	Raised 1.2m
Other facilities	Community recreational space including a cardio and strength training fitness centre, group fitness studio, 300 metre walking/jogging track	State-of-the-art 140 station gym and exercise studios	Table tennis room, dance room, fitness room, activity rooms, and a children's playroom
In-field	Three sport courts for Volleyball, basketball, and badminton. It hosted the track cycling for the Pan American Games in 2015.	In-field the size of 13 badminton courts, suitable for activities such as badminton, netball, futsal and volleyball	Multi-purpose area for basketball, volleyball, badminton, gymnastics and other sports

As a point of comparison, the Queensland State Velodrome in Brisbane, Australia is opened in September 2016. It includes a 250 metre cycle track and the in-field area has capacity to provide for a range of additional sport and recreation uses through the provision of mixed-use sports courts. It will host the track cycling for the 2018 Commonwealth Games.

The IBC detailed differences to New Zealand's existing indoor velodromes: Invercargill Velodrome and the Cambridge's Avantidrome. A comparison of their key features with the proposed preliminary design for the multi-use facility is as follows:

Table 17: New Zealand velodrome comparisons

Feature	Hawke's Bay Multi-Use facility preliminary design	Invercargill Velodrome	Avantidrome
Focus	Regional indoors sports hub	Regional velodrome	National Cycling Centre of Excellence
Length of track	250m	250m	250m
Category	2	1	1
Level of Track	2.8m above court space	At court space level	1.2m above court space
Maximum Slope			
Track Spectator seating	500	1,200	1,500
Roof height			10m
Cost of Build	\$15M (budgeted)	\$11M (2005/06)	\$28.5M (2012/13)
Lighting	1,000 lux	1,400 lux	1,400 lux
Scoreboards			2 video screens
Timing system		Phoenix	Swiss Timing
Accessways	Level with court space	Tunnels under track	Tunnels under track

Separation from other users	Glass partition and nets	Nets	Glass partition
Multi-use inside track	Yes	Yes	Limited
Other facilities	Integration with PGA building to make efficient use of existing facilities	Administration block for other regional sporting codes	Large adjacent administration block for Cycling NZ, Tri NZ, High Performance Sport NZ, University of Waikato, two gyms, recovery rooms, several medical rooms, athletes' lounge, large workshop and storage areas for Cycling NZ and a number of other features because it is the National Cycling Centre of Excellence

Despite the relatively novel configuration for New Zealand – a raised track with full utilisation of the space under and in the middle of the track – it's clear that the velodrome portion of the facility will be entirely fit for purpose and aligned with best practice.

> operational management

The IBC considered that there were three options available to the Council to manage the operation of the proposed multi-use velodrome:

1. Council could elect to manage and operate the facility itself, employing staff for the purpose;
2. Council could elect to out-source through a contract with a commercial entity to manage and operate the facility;
3. A service agreement/lease with the Ramblers Cycling Club could be put in place to manage and operate the facility.

These options were based on the original scope of a standalone facility on Council-owned land at Park Island. However, given that the RISEC Trust has an existing operations model and management system in place for the Pettigrew Green Arena, consideration needs to be given to the efficiencies to be gained from operating as one combined facility and the potential economies of scale.

There are a number of options for how the completed facility could be managed, as follows:

- The new facility is operated as a separate entity by:
 - The Council, with cross-lease and collaborative management agreements in place with the RISEC Trust, who continue to operate the current building
 - An external organisation leases the new facility from the Council, with cross-lease and collaborative management agreements in place with the RISEC Trust, who continue to operate the current building
- The new multi-use facility and the existing Pettigrew Green Arena are operated as one entity by the RISEC Trust

There are a number of other more complex options available as well. These may include arrangements for various sporting codes to participate in day-to-day management of elements of the facility, such as the velodrome track. The identification of the preferred operating model will be clarified in the next stage, during the detailed design.

Co-Funding Arrangements

As noted in the Financial Case, partnership funding will be sought from both central and local government, corporates, trust and individuals to construct the proposed facility. Partnership funding may also be sought to assist with operational costs.

> utilisation projections

Court usage projections

Based on feedback from the sporting bodies, basketball, futsal and volleyball have been identified as the key sporting users of additional indoor court space in Napier. Other indoor sports may use the space from time to time but their use may not significantly impact the financial projections.

As noted in the Strategic Case both the Pettigrew Green Arena (93%) and the Rodney Green Centennial Hall (88%) are heavily used during 'prime time', i.e. after school and evenings during school terms. Basketball, futsal and volleyball have provided detailed information on how they could potentially use additional court space that would be available in the multi-use facility. This is estimated to total 694 usage hours in the first year of operation, which equates to the utilisation of 70% of the newly-available 'prime time' hours. The breakdown by sporting code is:

Table 18: Court usage projections

	Hours
Basketball	243
Futsal	220
Volleyball	231
	694

It is anticipated that once the courts and their regular usage have become established, the remaining prime and other time slots will be gradually taken up by other sports. This may well include outdoor sports looking for an indoor venue for different skills training or because of weather, e.g. cricket and tennis.

The projected use has been used to derive the revenue forecasts, using the rates currently charged by Pettigrew Green Arena. Cycling Track usage projections

Clubs

Eleven cycling clubs/groups responded to a survey on their potential use of the cycling track in the proposed multi-use facility. Face to face meetings were also held with some of the clubs/groups to better understand their likely use. Their likely usage of the proposed facility is:

- Regular club riding – 14 hours/week in summer, spread over the full week
- Regular club riding – 16 hours/week in winter, spread over the full week
- Club racing – 40 hours/year
- Other club riding – 172 hours/year
- Inter-club racing – 36 hours/year
- Regional (mid-lower North Island) competitions – 16 hours/year

Schools

Of the 27 schools that have expressed an interest in using the proposed multi-use facility, four are within 5km of the venue, nine are within 10km and 18 are within 15km. This augurs well for significant school use. On the basis that the Cambridge Avantidrome cycle track is well used by schools between 4pm and 6pm each school day, and again on Friday evening, it is reasonable to assume that local schools will also take advantage of this track time at the facility.

Community track cycling, excluding clubs and schools

At the Cambridge Avantidrome in the year to June 2015, there was over 2,700 hours of community use and nearly 25,000 community rides on the track, i.e. track use excluding Cycling New Zealand and competition use. Of those 25,000 rides, half were recreational riders, 29% were school/junior riders, 11% were club riders, and 10% were corporate riders.

The Avantidrome generally operates 6am to 9pm weekdays and 10am to 4pm weekends, excluding events. In the year to June 2015 the cycling track is in use for over 3,500 hours, approximately 80% of the available hours, and at over 2,700 hours nearly 80% of that use was by the community.

The projected usage for the proposed facility includes 2,328 hours of community use, which is approximately 85% of the

community use at the Avantidrome.

Cycling New Zealand

Cycling NZ is implementing a new initiative to help grow emerging talent in support of their world-class high performance venue at Cambridge. A number of cycling performance hubs are to be set-up around the country, with the goal of increasing the quality and quantity of riders stepping up to the elite level. Waikato is the first region to receive a performance hub, as the pilot, with several more hubs to roll out from there including Hawke's Bay and Whanganui.

The regional performance hubs will create accessible development pathways to help grow emerging cyclists while they continue to live in their home regions. This means delivering quality coaching for under-19 and under-23 year old riders who are on the verge of taking their talents to the next level, which will provide a strong pipeline of athletes to support Cycling NZ's future programmes.

Each Hub will have a fulltime coach who can work closely with regional coaches and athletes in all cycling disciplines – road, track, BMX and mountain bike – to ensure quality development programmes are in place. This will benefit talented local cyclists by enabling them to stay in their region for longer, and be better prepared for advancing to next level of development. The hubs are being established on the following basis:

- There is good access to sport facilities – with a strong preference for indoor velodromes
- Access to support services such as HPSNZ & Pathway to Podium, which provide health, strength and conditioning, nutrition, athletic life and psychology assistance
- Access to ancillary support facilities such as a gym.
- A history of producing athletes to the High Performance programme
- Successful and aligned coaches
- A strong population base to support the programme.

Cycling NZ therefore supports the construction of the proposed facility, and sees the development of young athletes through this facility as supporting the future of their High Performance programme.

Total projected usage

The projected hours of track use over the first five years of operation are:

Table 19: Projected cycling track use

	Y/e June 2020		Y/e June 2021		Y/e June 2022		Y/e June 2023		Y/e June 2024	
	Hrs	%								
Club	812	35%	812	29%	812	25%	812	22%	812	22%
Corporate	84	4%	120	4%	156	5%	192	5%	228	6%
Other community	700	30%	1,050	38%	1,400	44%	1,750	47%	1,750	46%
Schools	448	19%	528	19%	608	19%	688	19%	768	20%
Total community	2,044	88%	2,510	90%	2,976	93%	3,442	93%	3,558	94%
Events	124	5%	124	4%	76	2%	112	3%	52	1%
Cycling NZ	160	7%	160	6%	160	5%	160	4%	160	4%
Total	2,328	100%	2,794	100%	3,212	100%	3,714	100%	3,770	100%

These usage projections are used to model the likely financial performance of the proposed facility in the Financial Case later in this document.

Events and Community usage

The proposed multi-use facility has the potential to host non-sport events such as conferences, dinners, trade shows, exhibitions, balls and weddings. However, as it is primarily a sport and recreation venue, it is likely to fill a niche in the market for those organisations looking for a large-scale bare venue.

Currently the existing Pettigrew Green Arena building has seating for 2,500 and an established presence in the events market. It's likely that the Arena would remain the preferred venue for other events and concerts, although the addition of the new facility will allow events to be hosted with less disruption of regular sporting activities.

> design vision and spatial framework

The preferred location conforms to the regional transport plans

The preferred location for the multi-use facility is on Gloucester Street, which is classified as an Arterial Road in the Council's Road Hierarchy, i.e. it is a road providing "interconnections between major sectors of a large area and a link with external areas and which distributes traffic from the motorway and major city links. Traffic volumes are typically greater than 7,000 vehicles per day on urban roads with a significant number of heavy vehicles".

Table 20: Daily traffic counts for arterial roads

Arterial Road	Daily traffic count	
	Current	2010*
Marine Parade (south of Aquarium)	6,216	9,063
Gloucester Street (south of Otatarā Road)	9,068	10,366
Ahuriri (Hyderabad Road)	9,223	8,905
Kennedy Road (by Anderson Park, two lane section)	11,962	13,148
Kennedy Road (south of Trinity Crescent, four lane section)	14,058	14,034

* Prior to the Hawke's Bay Expressway opening in 2011

Traffic and parking in the area of PGA and EIT is impacted by the activities of both those organisations, so the impact of the proposed multiuse velodrome needs to be considered. A full investigation of the traffic and parking implications will be undertaken as part of the consenting process.

> programme stages, costs and timings

The programme of work to develop and commission the proposed multi-use facility is as follows:

- Stage One** – Preliminary design and costing (to be completed 27 May 2016). This stage includes the business case (this document) and the supporting materials such as location and siting assessments, indicative designs, indicative costings, and Revenue Generation Strategy. The stage requires approval from Council and the commitment of stakeholders in order to proceed further with the project.
- Stage Two** – Developed design (60%) and costing (estimated completion date 31 December 2016). This stage develops the detailed design to the degree of completeness necessary to commence resource and building consent application process. Design details are finalised with stakeholders and the Revenue Generation Strategy is commenced.
- Stage Three** – Finalisation of developed design, completion of a detailed design, procurement, construction and commissioning (estimated completion date 30 June 2019). This stage completes the procurement process by the appointment of a construction contractor, secure external funding streams as set out in the revenue Generation Strategy, secures the necessary consents and commissions the multi-use facility ready for use by the community.

Indicative costs and timings

Should the Project be approved, it is estimated to take approximately three years from July 2017 to complete.

Table 21: Project milestones

Key Project Milestone	Approximate Date
Approval of Detailed Business Case	February 2017
Completion of developed design	June 2017
Completion of consenting	June 2017
Completion of fundraising	December 2017
Commencement of construction	January 2018
Completion of construction	June 2019

The total cost of the project is estimated at \$22.9 million, of which the Council contribution is estimated to be \$7.7 million.

> operating costs

The Indicative Business Case estimated annual operating costs at \$375,000 - \$675,000, which was based on a standalone multi-use facility owned and operated by the Council. The IBC also estimated operating income with the caveat that it warranted further investigation in the detailed business case.

Using the Pettigrew Green Arena costs as a baseline, the following table shows the projected operating expenditure for the proposed facility.

Table 22: Projected operating expenditure

	2019	2020	2021	2022	2023
Accounting	10,000	10,000	10,000	10,000	10,000
Advertising & Promotion incl. staff uniforms	20,413	23,685	26,960	31,534	33,366
Audit Fees	5,000	5,000	5,000	5,000	5,000
Bank Fees & Booking Fees	5,000	5,000	5,000	5,000	5,000
Cleaning - Products & supplies	7,800	7,800	7,800	7,800	7,800
Education & Training	2,500	2,500	2,500	2,500	2,500
Energy - Arena lighting & power	50,000	50,000	50,000	50,000	50,000
Energy - Arena climate control	12,500	12,500	12,500	12,500	12,500
Energy - Other	6,000	6,000	6,000	6,000	6,000
Event Costs	0	0	0	0	0
General Expenses	2,500	2,500	2,500	2,500	2,500
Health & Hygiene incl. Waste Mgmt	1,500	1,500	1,500	1,500	1,500
ICT (computer, internet, website, phone etc)	10,000	10,000	10,000	10,000	10,000
Insurance	35,000	35,000	35,000	35,000	35,000
Kitchen Supplies	1,500	1,500	1,500	1,500	1,500
Legal expenses	2,500	2,500	2,500	2,500	2,500
Memberships, subscriptions, licences	1,500	1,500	1,500	1,500	1,500
Office Supplies incl. copying	5,000	5,000	5,000	5,000	5,000
Rates	750	750	750	750	750
Security	5,000	5,000	5,000	5,000	5,000
Travel	2,500	2,500	2,500	2,500	2,500
	186,963	190,235	193,510	198,084	199,916
Repairs & Maintenance					
R & M - Building/Grounds & General	12,500	15,625	20,833	31,250	62,500
R&M - Building compliance	3,500	3,500	3,500	3,500	3,500
R & M - Minor Equipment (< \$500)	2,500	2,500	2,500	2,500	2,500
R & M - Bike Fleet	1,000	1,000	1,000	1,000	1,000

R & M - Plant & Equipment	2,500	2,500	2,500	2,500	2,500
R & M - Courts & track	10,000	10,000	10,000	10,000	10,000
R & M - Total	32,000	35,125	40,333	50,750	82,000
Salaries & Wages					
Cleaning - Hours	2,250	2,250	2,250	2,250	2,250
Cleaning	39,375	39,375	39,375	39,375	39,375
Instructors - Hours	780	1,210	1,640	2,070	2,150
Instructors	15,600	24,200	32,800	41,400	43,000
Sales and Operations Manager	60,000	60,000	60,000	60,000	60,000
Operations Coordinator - Track	25,000	25,000	25,000	25,000	25,000
Operations Coordinator - Courts	25,000	25,000	25,000	25,000	25,000
Reception - Hours (Total track use hours)	2,328	2,794	3,212	3,714	3,770
Reception	40,740	48,895	56,210	64,995	65,975
	211,073	228,724	245,487	263,804	266,520
ACC	2,533	2,745	2,946	3,166	3,198
Kiwisaver	6,332	6,862	7,365	7,914	7,996
Total salaries & wages	219,938	238,330	255,797	274,884	277,714
PROJECTED TOTAL OPERATING EXPENDITURE	438,902	463,690	489,641	523,718	559,630

Revenue sources

There are four primary revenue sources for the multi-use facility:

- Track hire-age fees for the velodrome track and related facilities
- Court usage fees
- Event charges
- Retail leases

Projected income for each of these items is as follows:

Table 23: Projected income

		Year 1	Year 2	Year 3	Year 4	Year 5+
Velodrome	Clubs	\$149,217	\$149,217	\$149,217	\$149,217	\$149,217
	Community	\$54,783	\$95,870	\$146,087	\$205,435	\$228,261
	Competitions	\$24,261	\$24,261	\$14,870	\$21,913	\$10,174
	Corporate Challenge	\$20,870	\$31,304	\$41,739	\$52,174	\$62,609
	Cycling NZ	\$31,304	\$31,304	\$31,304	\$31,304	\$31,304
	Schools	\$58,435	\$68,870	\$79,304	\$89,739	\$100,174
	Total Track Fees	\$338,870	\$400,826	\$462,522	\$549,783	\$581,739
Courts	Total court fees	\$107,400	\$110,870	\$114,687	\$118,903	\$123,581
Events	Number of entertainment events per year	6	6	6	6	6
	Income per event	\$750	\$750	\$750	\$750	\$750
	Total Events Fees	\$4,500	\$4,500	\$4,500	\$4,500	\$4,500
	Total Facility Fees	\$450,770	\$516,196	\$581,709	\$673,186	\$709,820

Telfer Young Valuers were asked to provide estimates of the likely retail and cafe spaces in the new facility, marked as Spaces A-E on the plans on Page 43:

Table 24: Retail rental projections

Area	Rentable area	Market rentable estimates (p.a.)
Retail Space A	80m ²	\$16,000
Retail Space B	80m ²	\$16,000
Retail Space C	130m ²	\$31,200
Retail Space D	151m ²	\$34,730
Bike Store E	95m ²	\$16,625
Initial retail offering		\$114,555

The multi-use facility will also require the establishment of additional parking, and under the Council's Revenue and Financing Policy the sources of funding for the additional parking have been assessed. These are:

Table 25: Parking funding sources

Community Outcome: Transport infrastructure and services that are safe, efficient and integrated

Who benefits	Funding Sources
Benefits flow to the community and private individuals through adequate provision of public parking and enhanced public and community safety. Specific benefits accrue to businesses in shopping areas through the provision of customer parking and to the individual drivers who utilise the car parks provided.	Operating: Fees and Charges 100% Capital: Special Funds

> benefits

Tangible benefits

The IBC identified a number of benefits that are anticipated to drive an economic benefit and these remain relevant. Co-location with the PGA has enhanced these benefits to a greater extent than if the original site of Park Island had been retained.

Capacity to Host Large-Scale Competitive and Spectator Events

The multi-use facility will create an opportunity for more national events to be hosted in the region. The number and type of events predicted to flow from the investment is shown in the Table 12 below. Large events have the potential to draw competitors and spectators from around the country. The numbers of people using the facility for these events will increase visitor numbers, which will benefit tourism and hospitality providers and retailers. There will also be flow-on effects in terms of Napier's image.

Recreation and sports groups and companies who run these events will derive direct financial benefit.

Increased Tourism and Visitation

Cycling is a core part of the Hawke's Bay experience and the region is well placed to ramp up cycling infrastructure to enhance attractiveness. Positioning cycling as an integrated element of a new multi-use sporting facility provides opportunities in terms of growing the visitor economy, at a time when Hawke's Bay tourism and central government agencies are increasing their efforts to attract domestic and international visitors. The opportunities provided by NCC through this Project, will give more people more reasons to come to the region which is a critical factor towards the tourism industry achieving its goals.

New and appealing sporting infrastructure will contribute towards making the local economy strong prosperous and thriving. The multi-use facility is expected to directly contribute to additional visitor nights from the following types of events that cannot be currently hosted in the region:

Table 26: Economic benefit from sporting tournaments

Event type	No./ year	Duration	Participants from outside HB	Spectators from outside HB	Visitor nights (Annualised)
Basketball events	1	4 days	456	380	4,180
Cycling events	8-10	1-6 days	60-240	50-180	4,035
Futsal events	1	2 days	54	42	192
Volleyball events	5-6	2-5 days	48-732	40-610	3,120
Visitor night value		\$160		Total	11,527
Total estimated annual economic benefit before multiplier		\$1,844,307			
Economic multiplier	1.96				
Total annual economic benefit		\$3,614,841			

The estimates for overall visitor nights are based on the following assumptions:

- The information shown is annualised based on a five-year event projection
- Participants include both players/athletes and supporting personnel
- Spectators are based on a 1:1 ratio with players/athletes as determined in the economic impact assessment completed on the 2015 National Masters Hockey Tournament¹⁵

A “sports” visitor night in Napier is worth approximately \$160 to the local economy based on the analysis by Infometrics.

Given the potential degree of variability around the size and number of other non-sporting events to be held at the multi-use facility, there has been no allowance for the likely wider tourism benefits from these events included in the cost-benefit analysis. However, it's likely that the visitor night value for people travelling to Hawke's Bay for non-sporting events will be similar to the \$160 estimated by Infometrics in the table above.

Construction activity

The Indicative Business Case noted that industry research suggests that every \$1 invested in construction generates a total of \$3 in economic activity¹⁶. For the purposes of the cost-benefit analysis below, the economic impact of additional construction activity has been included using this simplistic model.

Intangible benefits

Increased amenity and experience

The proposed co-location of the facility on the PGA & EIT site will provide an additional reason for residents and visitors to use the PGA, and to make use of the existing sports and leisure investments that the NCC has already made, thus increasing the return on investment from those assets. The additional usage could be reliably measured through surveys at PGA and through wider satisfaction and participation surveys.

Increased community pride and lifestyle factors

A place that enjoys a high level of amenity and quality community facilities creates pride within local communities. Community pride and quality of lifestyle are key parts of engaged, vibrant, healthy and safe communities. They also have indirect flow-on effects to economic aspects such as house values and city image.

Community pride and satisfaction with lifestyle enjoyed in Napier can be measured through community satisfaction surveys.

¹⁵ Economic Solutions Ltd, August 2015 - National Masters Hockey Tournament Held Napier/Hastings 1-7 March 2015 – Economic Impact Assessment

¹⁶ PwC, October 2011 - *Valuing the Role of Construction in the New Zealand Economy*. A report to the Construction Strategy Group

Increased Community health

The proposed facility will offer an additional active recreational opportunity for residents and visitors to Napier, and increased participation in recreation activities is likely to have positive impacts on overall community health.

As noted earlier Giblin Group's social impact assessment there is a significant role for sport and active recreation activities to play in building social capital and social well-being in communities. The report stated:

The proposed velodrome development will provide direct social benefits through its activities to the Hawke's Bay region. The NCC is playing an important role in improving the opportunity for social capital to grow and flourish by providing cycling facilities and infrastructure that enable people to cycle together in a safe and purpose-built facility. It is expected that this venue will play an important role in building social capital through the many activities and programmes that will be delivered from the venue. These will create vibrancy not only for the cycling fraternity, but also for netball, basketball, badminton and futsal codes who will also use for the venue for their sporting activities.

There is a strong correlation between participation in sport and high levels of social capital. This occurs through bonds between people who participate in the activity together and through wider bonds created between supporters. A "shared experience" strengthens bonds between individuals and provides a forum for information flows, trust and co-operation to occur...

Ultimately people will need to be encouraged to participate in the velodrome events and programmes, so as to make it a venue that is not just for high performance cyclists. The velodrome would enhance the cycling infrastructure available in Hawke's Bay. It will add to the already extensive trails, tracks, and cycling pathways that have been funded to promote cycling as a healthy and safe alternative transport method and as an activity to keep fit and healthy.

The Project will provide direct social benefits through its activities to the Hawke's Bay region. Improved social capital should in turn have a positive impact on social well-being in areas such as health, safety and security, the economy and education. It will also contribute to social cohesion and establish a sense of place and identity for the surrounding community.

> risk and uncertainty

A number of high-level risks to the proposed investment have been identified as part of the Strategic Case. These fall into two categories:

- **Delivery risks** are associated with the design and construction of the multi-use facility. Should they eventuate, these risks will typically result in a completed building that costs more, takes longer to complete, or which is not entirely suitable for its intended purpose. These risks are mitigated through the design and project management disciplines described in the Management Case below.
- **Outcome risks** are associated with the design and operation of the multi-use facility. Should they eventuate, these risks will typically result in the facility suffering from lower utilisation or higher operating costs than has been envisaged, which in turn will mean that the full benefits of the investment are not realised. These risks are mitigated through the design phase and in the operational management of the completed facility.

Each of these risk types has been assessed for the multi-use facility, as shown in the tables below.

Delivery Risks

The following risk analysis shows the impact and probability of the salient delivery risks:

Table 27: Delivery risk analysis

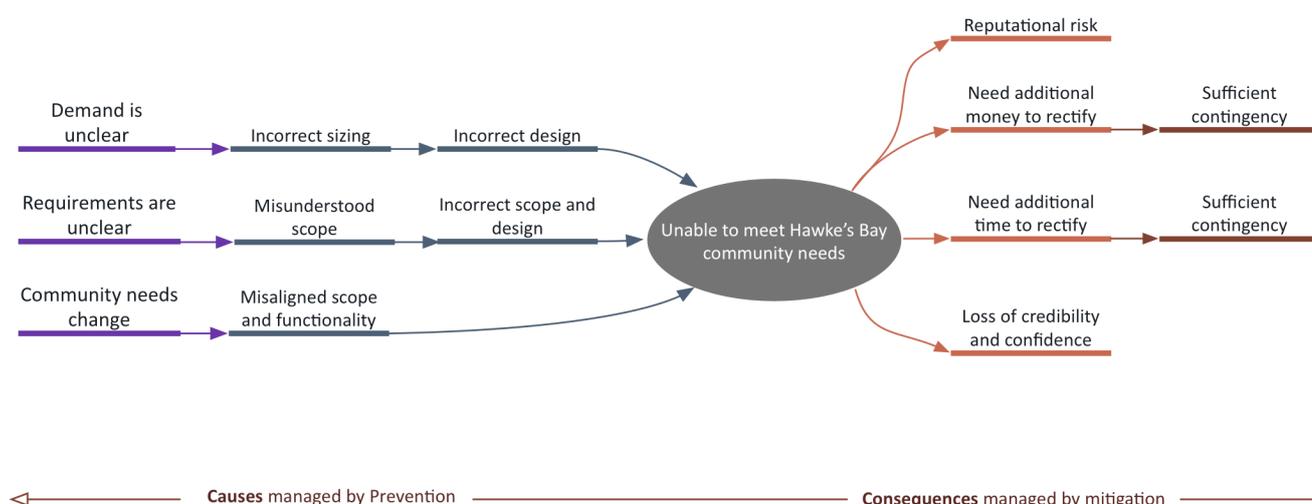
Risk	Impact	Probable	Comments and Risk Management Strategies
Solution Risks			
Incorrect scope for the multi-use facility may lead to a design that is not fit for purpose, resulting in a lower utilisation than has been forecast	H	L	Ensure that stakeholders and users are fully engaged in the detailed design process.
Incorrect configuration for the EIT components may lead to a design that is not fully suitable for EIT's needs, resulting in lower use by students and lower revenues from EIT	H	L	Ensure that EIT are fully engaged as partners during the detailed design process.
The mix of sporting codes within the facility may change during the design and construction process, leading to a sub-optimal design and lower utilisation	M	L	Maintain ongoing communication with Sports Hawkes Bay and other sports administration bodies to gain early visibility of any changes in preferences. Design the facility to be as flexible as possible to accommodate a wide range of sports codes.
Construction Risks			
There may be geotechnical or other issues that come to light after construction has commenced, leading to higher costs and longer construction times than has been budgeted	H	M	Conduct thorough geotechnical investigations and engineering assessments as part of the detailed design process.
There may be cost over-runs in the construction project, leading to the requirement for additional ratepayer funding and a lower return on investment than has been forecast	H	M	Undertake early contractor involvement to ensure that the contractors are fully involved in containing any unexpected cost impacts from the design or construction.
There may be delays in the construction project leading to potentially higher costs, the requirement for additional ratepayer funding and a lower return on investment than has been forecast	M	M	Undertake early contractor involvement to ensure that the contractors are fully involved in the design process, so that timelines can be effectively managed.
The delays in receiving funds from commercial sponsors and public contributions may require the Council to provide bridging finance, leading to higher finance costs and potentially a rates impact for Napier City Council ratepayers	M	M	Ensure the costs of cashflow management are included in the financial estimates. Where possible, negotiate with sponsors to bring forwards their financial contributions.
Operation Risks			
The external economic or societal circumstances for the region may change and the expected community outcomes cannot be achieved	H	L	Incorporate some flexibility in operational management into the appropriate management agreements to allow for changing community circumstances.
There may be insufficient demand from sports bodies and event organisers than has been forecast, leading to lower utilisation than has been forecast	H	L	Conduct early discussions with key sports codes, Sport Hawke's Bay and user groups such as schools to validate the assumptions about uptake.
The costs of operating the completed facility may be higher than forecast, leading to higher subsidies being required from the Council and undermining the long-term financial stability of the venue	M	M	Base the forward projections on the experience from running and operating Pettigrew Green Arena and other facilities around New Zealand. Include operational contingency in the Council's Long Term plan if appropriate.

The approach used to mitigate the risks is discussed in the Risk Framework section of the Management Case below.

Outcome Risks

In comparison with the relatively straightforward risks associated with delivery of the proposed investment, the outcome risks are significantly more acute and more complex to manage. This situation arises because they encapsulate the challenges associated with ensuring the community outcomes desired by the Council are delivered as a result of the investment. The nature of the risks means that it is difficult to quantify either the probability or the likelihood with any degree of rigor, as there are a significant number of interlinked challenges and interventions. In accordance with more advanced risk management methodologies, the outcome risks have been assessed using a bowtie analysis, which is shown as follows:

Figure 15: Outcome risks bowtie diagram



On the left are the risks that could cause the outcomes not to be achieved – these risks are managed by preventing the risk. These risks are managed generally through design, either of the facility or of how it is operated.

On the right are the consequences of the risks on the left not being managed. In the case of the multi-use facility, there are four consequences; two are reputational in nature, while the remainder will require additional time and investment to rectify.

As the diagram notes, the eventual consequence of the time/cost consequences can be mitigated by allowing sufficient contingency in the project timeline and budget. However, the more cost-effective approach is to ensure that the consequences do not eventuate by managing the risks effectively – which in this case means that three elements need to be closely attended to:

- Ensuring that the demand from sporting codes is understood so that the size and design of the multi-use facility is correct
- Ensuring the requirements of the various stakeholder and user groups are understood so that the scope and design of the facility matches their needs
- Ensuring that the needs of the community and their evolving preferences for various sporting codes are understood, in order to ensure that the scope and functionality of the facility meets the long-term requirements

The controls that are in place or that are planned to be implemented as the project proceeds for each of these elements is as follows:

Table 28: Outcome risk analysis

Element	Control
Demand is unclear	The Council will work closely with the various codes and sporting bodies, including Sports Hawke's Bay, to ensure that there is a clear understanding of the current and likely future demand for facilities. This will be done using the framework set out in the Regional Sports Facilities Plan, which has been endorsed by the Council.
Requirements are unclear	The design team will engage with each of the identified user groups to ensure that their requirements are understood. This will include relevant sports codes and bodies, non-sporting users of PGA (such as events organisers) and EIT. Their requirements will be incorporated into the scope and design within the limitations of a shared facility, with a formal design sign-off from the Steering Group.
Community needs change	The Council will continue to actively work with Sports Hawke's Bay and the other stakeholders in the Regional Sports Facilities Plan to monitor the trends over time for the relevant indoor sporting codes.

Mitigation via communication

Central to maintaining effective contact with the various stakeholders is the Communications Plan. The purpose of the plan is as follows:

The Communications Plan is designed to support the proposed Hawke's Bay Multi-use Sports Facility project through its various stages, from the initial concept stage, through the decision making stage(s) and right through to its completion – whether this is the actual construction and opening of the facility or the decision not to proceed.

As with any significant project that involves ratepayer investment, there is considerable public interest in the project. This has been heightened due to two recent Council projects – the Art Deco Buses and the MTG upgrade – being perceived to have been poorly managed and unsuccessful. As such there is concern from a small but vocal element that the proposed facility may be another poor project that the Council has invested into.

Accordingly, the objectives and audiences for the communications plan are as follows.

Communications Plan Objectives:

- Proactive dissemination of information on the project as it progresses to ensure all audiences are accurately informed and understand what the project involves, what the major steps are in it and the timeline involved. (“Information”)
- Articulating the features, advantages and benefits of a Multi-Use Velodrome so that what it is accurately portrayed and understood (“Promotion”)
- Responses to inaccurate public comments and misinformation (“Responding”)

Communications Plan Audiences

- The Project team, NCC Staff and contractors involved in the project.
- Public - including ratepayers and wider HB community
- Financial Partners including funders and sponsors
- Hawkes Bay Regional Council
- Partners – including Cycling NZ, Sport NZ, EIT, AUT Millennium Institute, PGA, Sport Hawke's Bay and active supporters
- Potential regular cycling and non-cycling users including clubs/RSOs and schools
- Potential casual cycling users including visiting and “Have a Go” patrons
- Tourism/visitor industry

The Communications Plan is currently being used to inform and guide interactions with stakeholders, and is therefore a key part of mitigating the delivery and outcome risks identified in this business case.



Commercial Case

Preparing for the potential deal

> project sequencing

The purpose of the Commercial Case is to outline the procurement and contracting approach for the proposed multi-use facility.

As noted above, there are three stages to the programme of work:

- **Stage One** – Preliminary design and costing (to be completed 27 May 2016). This stage includes the business case (this document) and the supporting materials such as location and siting assessments, indicative designs, indicative costings, and Revenue Generation Strategy. The stage requires approval from Council and the commitment of stakeholders in order to proceed further with the project.
- **Stage Two** – Developed design (60%) and costing (estimated completion date 31 December 2016). This stage develops the detailed design to the degree of completeness necessary to commence resource and building consent application process. Design details are finalised with stakeholders and the Revenue Generation Strategy is commenced.
- **Stage Three** – Finalisation of developed design, completion of a detailed design, procurement, construction and commissioning (estimated completion date 30 June 2019). This stage completes the procurement process by the appointment of a construction contractor, secure external funding streams as set out in the revenue Generation Strategy, secures the necessary consents and commissions the multi-use facility ready for use by the community.

Based on this approach, a structured procurement approach is planned.

> procurement approach

The procurement strategy has been formulated around the recommendations of the Indicative Business Case, one of which was:

The work should be undertaken to finalise the design and therefore ascertain in detail the capital costs of building the velodrome based on the preferred option

To meet this recommendation, consideration was given to the fact that multi-use arenas are large scale technical facilities, especially if specialist track cycling and indoor courts are included. As a result of the scale, complexity and the need to deliver on the sport performance aspect of such facilities, there are design and build risks that need to be addressed through the procurement process. Consideration was given to the importance of involving designers and constructors with a proven track record in the design of multi-use indoor sports facilities.

The procurement process that was then approved and implemented is based on an early contractor involvement model, as significant value can be added to the project if the designers and building contractor work as a team for the entire duration of the project, rather than the more traditional approach where a construction contract is procured after completion of the design. This was assessed as reducing the overall risk to the Council by ensuring that any design or construction issues would be identified and addressed early in the project.

The procurement approach is therefore as follows:

- **Stage One and Stage Two** – suitably-qualified consultants and specialist advisors were approached to conduct the assessment, design and costing work, using the processes described in the Council's Contracts Policy. Where possible, these specialists were engaged on a fixed-price basis. The outcome of these stages are to identify the costs, benefits, design options and risks of various alternatives so that Council can make an informed decision about whether to proceed with the multi-use facility.
- **Stage Three** – suitably-qualified contractors and consultants will be contracted to perform the activities of this Stage which is dependent of the outcome of Stage Two and then subsequently the finalisation of the developed design .

The Project team believed it was essential that the procurement process for securing these service providers followed an

agreed process that met not only Council's Contracts Policy but had also been assessed by an external assurance company. The Council contracted the services of McHale Group who undertook this review. It concluded:

We were satisfied that key procurement and probity risks had been identified, considered and mitigated within the Council's draft procurement strategy for the Velodrome Project. We supplied comments and advice on the draft strategy to the Council project team. We confirm that all comments and advice were considered and incorporated by Council, where appropriate, into the revised procurement strategy.

We concluded that:

- The draft procurement strategy for the project was consistent with the Council's Contracts Policy. However, we advised the Council project team to seek a limited exemption to the Policy for various aspects of the procurement strategy.
- Consideration of sound procurement and contracting practice was incorporated within the draft strategy and was consistent with our good practice expectations.
- Probity principles and practices (such as consistency, impartiality, fairness, transparency, accountability, best value for money, managing conflicts of interest and good ethical behaviour) had been taken account of within the draft strategy.

Procurement activity

To conduct Stage One and Stage Two, a tender process was conducted by the Council to identify suitable specialist advisors. The process was run in conformance to the Council's procurement manual. The services the Council sought through the tender process encompass the design, construction and commissioning of the multi-use facility.

In accordance with this approach, Council tendered for and appointed a design consultant, Create Limited (Create) in March 2016, and a building contractor in April 2016, Livingstone Building NZ Ltd. Both these organisations have experience in designing and building multi-use indoor facilities, understand the performance aspects of the structure, and have delivered comparable projects to time, scope and budget.

Create and Livingstone will be paid for performing the services on a stage by stage basis, and they will only be paid for undertaking a stage of the project should Council resolve to have that stage undertaken. This stepped process of gateways (decision points that require formal approvals by Council) is appropriate given the scale of the project and the stakeholders involved.

For Stage One, this has been reflected in the terms of the contracts, whereby the agreement to complete the first section of work does not create an obligation for Council to then proceed beyond that stage. If the Project does not proceed to the next stage, contracts can be terminated at that point at the Council's sole discretion.

As noted, the acquisition of services will be conducted in three distinct stages, and proceeding from one stage to the next is in each instance conditional on Council's approval and a resolution to proceed.

Risk Allocation

During the tender evaluation process, key risks to the project were identified and tabled to the Council's Tenders Committee.

Table 29: Commercial risk allocation

Risk	Assessment	Mitigation
<i>From Design Services contract</i>		
Completeness of design	High	Hands-on oversight by the Council project team of both Create and the building contractor

Integrity of costing from design at end of Stage Two for Council to make the decision to proceed to Stage Three	Medium	Involvement of an independent Quantity Surveyor to review the costing at this point in time prior to Council's decision
Quality of finish	Medium	Careful management of Create and building contractor
Construction industry overheated	High	Independent Quantity Surveyor review of price at the completion of Developed Design before negotiating construction contract.
<i>From Building Services contract</i>		
Unable to agree construction price with contractor	Medium	Involvement of Independent Quantity Surveyor in process. (If this risk eventuates Council has the opportunity to go back to the market if agreement on the construction contract is not reached.)

Central to mitigating these risks is the involvement of suitably qualified Quantity Surveyors at the appropriate times, and the Council putting in place an effective project governance structures and project management practice as described in the Management Case below.

Contract structures and management

Types of contract

Both Create and Livingstone have individual contracts with the Council for Stages One and Two, in accordance with Council's Short Form General Conditions for the Provision of Professional Services. The two companies have been contracted to be responsible for the design of the multi-use facility that must meet the Draft Design Specifications in Appendix 6. The services they deliver must be completed in accordance with the NZ Construction Industry Council Guidelines for Design and Construction.

As noted above, the proposed contract terms are variable and dependent on Council approval to proceed to the next stage. Stage One will conclude with Council's consideration of this business case, with Stage Two having an estimated completion date of 30 June 2017.

If the decision is made by Council to undertake Stage Three, Council will negotiate a building contract with Livingstone with the following parameters:

- The building contract will be a Novated Design Build Contract based on NZS 3916:2013 "Conditions of contract for building and civil engineering – Design and construct" with appropriate amendments and inclusions, including compliance with the Council's Contracts Policy applicable at that time.
- The contract will be managed on a Cost Reimbursement basis, with a Guaranteed Maximum Price to meet Council's desire for cost certainty and transparency (the Contract Price may not be greater than the Guaranteed Maximum Price). The final price paid will be the actual cost plus the building contractor's margin.
- The Contract will have a Guaranteed Maximum Price determined by reference to the detailed costings determined as part of Stage Two.

Design responsibility will be transferred to Livingstone at commencement of Stage Three and Create will be part of the Novated Design Build Contract by becoming part of Livingstone's team.

The supply of the velodrome track is likely to be procured directly by Council, in accordance with Council's Contracts Policy, and therefore is unlikely to form part of the building contract.

If a suitable building contract cannot be negotiated with Livingstone, Council has reserved the right to terminate negotiations and to seek alternative tenders from other construction companies, with the proviso that the same parameters will be applied to any subsequent tender process. All the intellectual property arising from Livingstone and Create – such as the designs – will remain the property of the Council.

Assuming the project proceeds to Stage Three, the proposed term for the building contract would be until the end of the

contract term including the issuance of the Final Completion Certificate and expiry of the 12 months Defects Notification Period, which is currently estimated to be 30 June 2019.

The terms and conditions of the construction contract will be negotiated at the commencement of Stage Three.

Contract management

The responsibility for managing delivery under the contract as well as supplier relationship management will pass to the Council's Director Infrastructure on the signing of the contract. They will develop a contract and relationship management plan in consultation with the successful supplier.

Payment Mechanisms

In order to manage the limited budget available for the development of the Detailed Business Case, fixed fees were set for completion of the preliminary design (Stage One) and developed design (Stage Two). Assuming the project proceeds, further fees for design services will be negotiated as part of the Novated Design Build Contract with Livingstone and Create.

Create and Livingstone assessed the workload required and proposed a payment schedule for the fixed fees tendered by Council for Stage One, which was negotiated and then approved by the Council's Tenders Committee. The same process will be used for Stage Two.

Council will negotiate specific sums for any additional services which fall outside those defined in the contract schedules, as provided for under Section 10 of the General Conditions for the Provision of Professional Services. As it is expected that the work will be completed within twelve months, no cost fluctuation provisions will be applied to the contracts.

Should the project proceed to Stage Three (Detailed Design, Procurement, Construction and Commissioning), payments will be made in accordance with NZS 3916:2013 "Conditions of contract for building and civil engineering – Design and construct". The contractor will submit a monthly claim to the Engineer and Council identifying the contract works to which the claim relates and the basis on which the claim has been calculated. The due date for payment, subject to the Engineer's amendment, would ordinarily be 17 working days after the date of service of the claim. Retentions will be withheld in accordance with Council's Contracts Policy.



Financial Case

Affordability and funding requirements

The purpose of the financial case is to identify the available sources of funding for the proposed multi-use facility, articulate how the funding will be obtained and any conditions that are likely to be attached to it, and to assess the impact of the proposed investment on the Council's financial statements.

> capital funding sources

Funding sources for the construction costs of the project are:

1. The Napier City Council
2. Regional stakeholders
3. External contributors as per the Revenue Generation Strategy

Discussions have been held over a number of months with a range of potential funders, and the Giblin Group has been engaged to write a Revenue Generation Strategy. The purpose of that document is to assess the likely funding available for the facility from a range of sources, including corporate naming rights and sponsorship, central government contributions, charitable trust donations and others.

The estimated contributions from each of the funders is detailed in the Revenue Generation Strategy section below.

> council funding

One of the outcomes from the Consultation process of the LTP 2015-25, was a commitment by the Council to fund around a third of the Project cost, up to \$5.1 million¹⁷, subject to the Detailed Business Case establishing that the project was viable. The remainder of the funds were to be sourced externally.

The development of the DBC and consultation with stakeholders has resulted in design and location changes since the IBC was prepared. In turn, this has resulted in a change in the projected budget, from the \$15 million estimated in the Indicative Business Case to \$22.9 million including contingency. The reasons for the increased budget are:

- The increased scope has led to changes in design to ensure the facility can meet the capacity needs of a wider range of sporting codes, now and in the future
- The configuration of the facility has been altered to ensure that it is flexible enough to cope with changing community recreational and sporting preferences
- Additional capabilities that can meet the needs of educational stakeholders – such as Eastern Institute of Technology (EIT) – have been added to the scope
- Some items that were out of scope for the stand-alone velodrome – such as car parking – have been brought within the scope of the regional indoor multi-use sport and recreation facility

In addition, considerable design and costing work has been completed, so the high-level estimates and assumptions that were used in the IBC have been updated to reflect more accurate design, construction and commissioning costs.

Of the \$22.9 million capital cost, \$7.7 million is projected to be funded by Council, with the balance of \$15.2 million coming from central government, regional contributors, corporate sponsorship and community fundraising. The Council contribution is higher than the \$5.1 million forecast in the LTP, and as noted the difference will be made up by higher than expected revenues from the Parklands subdivision. The effect is that Council's net financial position will be substantially unchanged from the forecasts in the LTP.

Currently the Council funds a range of recreation facilities to satisfy the needs of the community including as At 30 June 2015, the Group's assets had a value of \$200 million and the Council will spend an additional \$190 million¹⁸ for the Group from 2015 to 2025, as outlined in the Long Term Plan.

¹⁷ Based on \$5 million contribution adjusted for inflation

¹⁸ Napier City Council Long-Term Plan 2015-25, June 2015, pg.158

The construction and operations of a multi-use facility is included in the above approved budget.

> revenue generation strategy

There are a number of options available to the Council for funding the capital costs of construction. These include:

- Central government funding e.g. Lotteries funding
- Other Hawke's Bay Local Government funding
- Trust funding (Community/Philanthropic, Private and Gaming)
- Corporate Sponsorship
- Partners e.g. Ramblers Cycling Club
- Community fundraising

While the Council regularly uses some of these options – such as local and central government funding sources – others require a degree of specialist expertise to develop the case and collateral for applying to the various corporate and not-for-profit entities if there is to be a reasonable chance of obtaining funding. It's this requirement for specialised expertise that requires the development of a Revenue Generation Strategy.

In order to plan the funding of the additional \$15.2 million required for the project, The Gilbin Group were contracted to produce a Revenue Generation Strategy (RGS).

This built on the initial work done for the Indicative Business Case, updated to reflect the changed focus of the project from a standalone velodrome to a regional multi-use indoor sports facility incorporating a velodrome. In addition, the RGS now reflects the most up to date understanding of the central government and philanthropic trust funding opportunities, based on GIBLIN Group's extensive knowledge of the sector.

The RGS sets out a comprehensive and strategic plan for maximising funds from a range of diverse sources, not only for the development of the building but the long-term operation of the facility. Based on the analysis, the following funding sources and likely contributions have been identified:

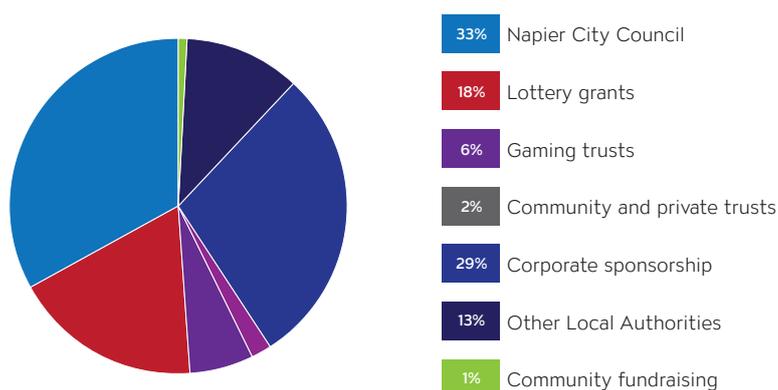
Table 30: Funding sources

Funder	Amount (\$m)	2017	2018	2019	2020	2021	2022	2023
Corporate sponsorship	6,750,000		900,000	1,350,000	1,350,000	1,350,000	1,350,000	450,000
Community & Private Trusts	465,000		232,500	232,500				
Gaming Trusts	1,290,000		645,000	645,000				
Lottery Grants	4,120,000		420,000	2,000,000	1,700,000			
NCC	7,640,000	\$2,547,000	2,547,000	2,546,000				
Community fundraising	150,000		100,000	50,000				
HBRC	2,500,000		1,250,000	1,250,000				
Total	\$22,915,000	\$2,547,000	\$6,094,500	\$8,073,500	\$3,050,000	\$1,350,000	\$1,350,000	\$450,000

It should be noted that some of the contributions detailed in the table are indicative only, and will need to be confirmed by the funding organisations as the project progresses. In some cases, funding will only be confirmed after a vote by elected members, senior executives, directors or shareholders, so some variability in both the amount and timing of the contributions may occur.

The projected contributions of the various parties to the capital funding costs of the facility are as follows:

Figure 17: Funding by source



> accounting treatment

Subject to the project proceeding to Stage Three and subject to decisions regarding ownership and management of the proposed multi-use facility, it is envisaged that the resulting assets will be capitalised by the Council and form part of its assets on the balance sheet.

Rates Subsidy

A comparison of the revenue projection table and the operating cost table shows that the facility is unlikely to require a rates subsidy for its day-to-day operations. This is dependant on a number of factors:

- Ongoing rental of the retail areas within the facility
- The careful management of operational costs
- Ongoing patronage by the community and sporting codes, resulting in revenues in line with projections
- The ongoing viability of the retail leases, which will be dependant on patronage and facility usage

A detailed sensitivity analysis has been undertaken, which shows that a rates subsidy is unlikely to be required even if revenues fall more than 30% below the projected figures.

Depreciation

The operating costs for the facility include ongoing repairs and maintenance, but exclude funding of the depreciation on the building. This is consistent with the policy laid down in the Council's Long Term Plan (LTP):

Council has adopted the following depreciation funding policy. Except for the two categories of assets identified below, depreciation will be funded fully from operating revenues. The exceptions are:

1. **Community assets considered to be of a non-critical/essential nature.** Assets identified in this category include Rodney Green Centennial Events Centre, McLean Park, Napier Municipal Theatre, War Memorial Conference Centre and other halls, Tourism assets (Napier i-SITE Visitor Centre, Par 2 MiniGolf, National Aquarium of NZ) and MTG Hawke's Bay.
Council will manage these assets as part of the Building Asset Management Plans and to financially provide for the assets so they may be maintained on an ongoing basis at a level that meets the community's requirements. Any decision to replace the assets will be made at the time in consultation with the community. A mixture of loans, reserves and community funding could fund the cost of replacement.
2. **Road assets which are funded partly from Transfund subsidy,** to the extent of the subsidy received.

This policy is broadly consistent with that employed by other Territorial Local Authorities in New Zealand.



Management Case

Planning for successful delivery

> project management planning

The project will be managed using Council's Project Management Framework (PMF), which is based on the US Project Management Institute's A Guide to the Project Management Body of Knowledge (PMBOK Guide), Fifth Edition, a recognised global standard for the project management profession.

The PMF incorporates PMBOK's ten knowledge areas and five process groups, and defines a four-phase sequential project lifecycle:

Initiate Project > Plan Project > Execute Project and Monitor & Control > Close Project

Projects have to pass through governance and assurance gateways to progress from one phase to the next.

Project Initiation

As a result of the consultation process for NCC's LTP 2015-25, the project was initiated to address the requirements of this Stage of the Project; the main outcome being a Detailed Business Case (this document) based on the Better Business Case guidelines recommended by Treasury.

Initiation

In order to develop an achievable design concept with a reasonable degree of confidence that it can be successfully constructed within the project budget, Create (a specialist design consultancy based in Ahuriri) and Livingstone (a construction company based in Hamilton) have been contracted through open competitive tendering processes to develop a concept and preliminary design, and cost estimate for this project, with a target price of \$15 million. During the initiation phase, Create led the design process and Livingstone provided constructability input and prepared the cost estimate. The contracts provide for Create and Livingstone to take the project through to construction and commissioning, subject to conditions. The results from the design process have formed the basis of the Detailed Business Case.

Project Planning

During this phase the project team will undertake the activities of the Developed Design Stage. The preliminary design will be progressed to a full developed design stage, resource consent obtained, land secured, stakeholder agreements negotiated, a sufficient level of funding secured and Livingstone will prepare a lump sum price offer for detailed design and construction. The project will Progress to Execution phase when Resource Consent is in place, land and a sufficient level of funding has been secured and Council has accepted Livingstone's offer.

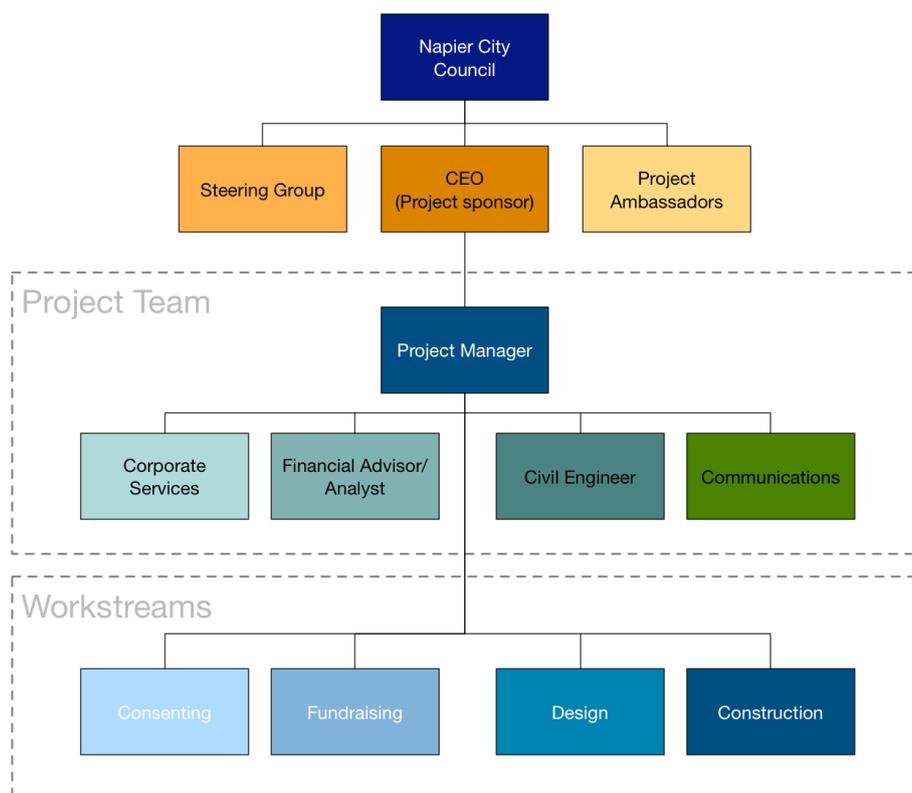
Project Execution

During the execution of the Project that the designer will be novated into the contracted constructor's team, compliance requirements will be met, detailed design will be finalised and the construction completed to the necessary standards.

Project Close

How the commissioning and handover of the multi-use facility will happen is dependent on further discussions with key stakeholders in order to agree the ownership, governance and appropriate operating model that will be put in place.

> proposed structure



The proposed organisation chart is:

Figure 18: Project organisational chart

> project plan and milestones

Should the Project proceed is estimated to take approximately three years from July 2016 to complete.

Table 31: Project milestones

Key Project Milestone	Approximate Date
Approval of Detailed Business Case	February 2017
Completion of developed design	June 2017
Completion of consenting	June 2017
Completion of fundraising	December 2017
Commencement of construction	January 2018
Completion of construction	June 2019

> benefits management planning

Once construction is underway, planning to realise the financial and non-financial benefits set out in this business case will commence. This will include:

- Identifying the financial and non-financial key performance indicators for the operation of the proposed facility, and where possible including them in the various management contracts
- Putting in place the periodic reporting mechanisms that will allow the key performance indicators to be monitored by the Council and other stakeholders
- Setting up the mechanisms to collect external data on wider social and health outcomes and integrate the information

with the KPIs collected by the Council

- Agreeing how the relevant information will be incorporated into standard Council reporting

A comprehensive plan for this work will be developed during Stage Two.

> risk management planning

As can be seen elsewhere in this business case, considerable thought has been given to the delivery and outcomes risks associated with the proposed investment. As part of the management of the programme of work for the development of the multi-use facility, a risk management plan will be developed in accordance with the Council's Risk Management Framework. The framework is based on the AS/NZS ISO31000:2009 Risk Management Standard, and requires that the programme:

- communicate and consult – with internal and external stakeholders at all stages of the risk consideration and decision-making processes;
- establish the context – determine the criteria against which the risk is to be evaluated and managed, considering both internal and external stakeholders;
- identify the risk – consider the range of potential likelihood and consequence of the occurrence of risk events;
- analyse the risk – consider the range of potential likelihood and consequence of the occurrence of risk events;
- evaluate the risk – by comparison with pre-established criteria, and consideration of the balance between benefits and adverse outcomes;
- treat the risk – develop cost-effective strategies, options, and action plans for the treatment of risks that show both positive and negative outcomes;
- monitor and review the risk – monitor the effectiveness of all steps, and measures taken in order to achieve improvements, to react to changes in circumstances, and to ensure priorities are still relevant;
- record the process – all relevant data pertaining to decision-making should be recorded, to satisfy legal and business needs, and to serve as a database for reuse. The scale and maintenance of such records should be cost-effective.

A comprehensive plan for this work will be developed during Stage Two in accordance with the Framework.

> post-project evaluation planning

Assuming the project proceeds to construction and operation, a post implementation review is planned for October to December 2019, after the multi-use facility has been commissioned and operational six months. The scope and extent of the evaluation will be agreed by the Council as part of its annual planning process.



Recommendations and next steps

Hawke's Bay has an acknowledged challenge with health and sporting participation rates compared to the rest of the country. In addition, there is unmet demand for indoor sports and recreation, with sporting codes reporting that they are unable to respond to the desire for more teams and games due to a lack of appropriate facilities. Basketball, volleyball, futsal and cycling are all indicating that their codes could grow and expand if additional facilities were available – to the benefit of the Hawke's Bay community and the regional economy.

A multi-use facility has been proposed that addresses these issues. It is an innovative building that allows multiple sporting codes to expand, whilst being flexible enough to accommodate the changing preferences of the Hawke's Bay community in the future.

The proposed location adjacent to Pettigrew Green Arena provides the best trade-offs for transport accessibility, site utilisation, construction difficulty, synergy with existing sport and recreational facilities, and affordability.

Having sporting and recreational facilities that can accommodate local and national tournaments as well as cultural events will increase visitor numbers, with positive effects throughout the region. These ongoing benefits are in addition to the \$60 million in immediate economic spin-off that will come from the construction project itself.

Projections show that the multi-use facility should stand on its own feet for operational funding, and would only require a ratepayer subsidy under exceptional circumstances.

The process the Napier City Council has used to assess the benefits of investing in a new facility, and the options for how it can be implemented, is robust. The costs are significantly outweighed by the benefits, and the investment is in line with the Council's obligations to the community in the Local Government Act.

A decision is now needed on whether to proceed. The initial design work has been completed, and the risks associated with development are gradually reducing thanks to the early contractor involvement process the Council has used.

The next step in the process is to undertake the detailed design, whilst commencing the fundraising activity outlined in the Revenue Generation Strategy, at the commencement of a three year construction programme of work. The fundraising efforts should see the Council contributing \$1 out of every \$3 invested in the project, meaning that its contribution is both prudent and affordable for ratepayers.

It is therefore recommended that the Council proceed with the investment.