

# Community Funding Subcommittee

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## **Notice of Meeting**

A meeting of the Community Funding Subcommittee will be held in the Council Chamber, Forum North, Whangarei on:

**Wednesday  
12 March 2014  
8.30am**

**Subcommittee of:**  
Planning Committee

**Committee**  
Cr S J Deeming (Chairperson)  
Her Worship the Mayor  
Cr S M Glen  
Cr G M Martin  
Cr B L McLachlan

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# 1. 2014-2015 Annual Operating Fund

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**Reporting officer** Bree Kurtovich (Community Funding Officer)

**Date of meeting** 12 March 2014

## ***Vision, mission and values***

*This item is in accord with Council's vision, mission and values statement as it supports the provision of grants to ensure public services and community facilities are able to operate and meet the needs of our district's communities.*

## **Background**

In November 2009, Whangarei District Council's Finance and Support Committee resolved to replace the Three Year Grant Fund to drive efficiencies in community funding approval and administration processes, as well as providing a window for recipient organisations to make financial decisions. The new system was named the Annual Operating Fund and commenced in the 2010-11 financial year.

Under the Council's Community Funding Policy the purpose of this fund is to give *"a rolling year over year funding cycle designed to provide ongoing operational support to selected organisations which provide valued services to the district"*.

The Annual Operating Fund is non-contestable. Each year eligible organisations with a positive history of council funding from the (now obsolete) Three Year Operating Grant Fund or the Operational Support Fund are invited to apply to the fund.

## **The Process**

Each year applicants are invited to apply to the fund in December and applications generally close in February. The application form shows Council's indicated grant amount from the prior year. Applicants generally apply for this amount, however, increases in funding are considered. An indicative amount for the following year's funding is also provided to grant recipients. In the past, this figure has been based on the current year's (unconfirmed) indicative amount plus an inflation adjustment as appropriate. This approach has now been altered take account of the Council's Long Term Plan (LTP) cost reduction targets.

All applications are referred to the Community Funding Subcommittee for consideration. The Community Funding Subcommittee makes decisions for those grant requests that fall within their delegated authority.

For those grant requests that fall outside of the delegated authority of the Community Funding Subcommittee, the Subcommittee will make recommendations for funding and refer these to the Planning Committee for consideration.

Final grant amounts will be confirmed by Council's Annual Plan process.

All grants are subject to the performance of the organisation against the agreed performance measures for the previous funding year.

## **2014-2015 Applications**

In December 2013 all fifteen grant recipients from the 2013-2014 Annual Operating Fund were invited to apply to have their indicative funding levels for 2014-2015 year confirmed. An explanation was required for any variance requested to the indicative amount.

Applications closed on Friday 7 February 2014 and applications were received from all fifteen organisations.

As part of the performance measures associated with each grant, organisations were requested to provide the following information:

- Governance meeting minutes
- Most recent financial accounts
- Draft 2014-2015 Business Plan
- Draft 2014-2015 Budget
- Most recent Annual Report
- 2013-2014 Events Calendar
- At least two reports for events held in 2013-2014

- Programme/event/activity statistics - with year to year comparisons
- Visitor numbers - with year to year comparisons
- Customer satisfaction survey information
- % of overall customer satisfaction - with year to year comparisons
- Volunteer numbers - with year to year comparisons
- Confirmation of funding from at least two other sources
- Evidence of new stakeholder relationships

The following have been received:

Organisation	Meeting Minutes	Financial Accounts	2014-15 draft Business Plan	2014-15 draft Budget	Latest Annual Report	2013-14 Events Calendar	Two Event Reports	Programme/event/activity statistics	Visitor numbers	Satisfaction survey info.	% overall satisfaction	Volunteer numbers	2 other funding sources	New stakeholders
CHART	✓	✓	✓	✓	✓	✓	✓	X	✓	✓	X	✓	✓	✓
Citizens Advice Bureau Whangarei	✓	✓	✓	X	✓	✓	✓	✓	✓	X	X	✓	✓	✓
Hikurangi Museum	✓	✓	N/A	N/A	N/A	N/A	N/A	N/A	✓	✓	✓	✓	N/A	N/A
Mangakahia Sports Ground Society	✓	✓	X	X	✓	X	✓	✓	✓	X	X	✓	✓	✓
Northland Craft Trust (Quarry Arts Centre)	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	X	✓	✓	✓
Northland Society of Arts (Reyburn House)	✓	✓	X	✓	X	✓	X	✓	✓	✓	X	✓	✓	✓
Northland Youth Theatre	✓	✓	✓	✓	X	✓	✓	✓	✓	✓	X	✓	✓	✓
Ruakaka Recreation Centre	✓	✓	X	✓	X	✓	X	X	X	X	X	✓	✓	✓
Surf Life Saving Northern Region	✓	✓	X	✓	✓	✓	N/A	✓	✓	✓	X	✓	✓	✓
Tornado Youth Community Trust	✓	✓	X	✓	X	✓	X	✓	✓	X	✓	✓	✓	X
Waipu Centennial Trust Board (Waipu Museum)	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	X	✓	✓	✓
Whangarei Art Museum Trust	✓	✓	X	✓	✓	✓	✓	✓	✓	✓	X	✓	✓	✓
Whangarei Museum & Heritage Trust (Kiwi North)	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Whangarei Quarry Gardens Trust	✓	✓	✓	✓	X	✓	✓	✓	✓	✓	X	✓	✓	✓
Whangarei Youth One Stop Shop Charitable Trust	✓	✓	✓	✓	✓	✓	X	✓	✓	X	X	✓	✓	✓

Because of these applications occurring half way through the 2013-14 year a number of groups were still waiting for their 2014-15 budgets and business plans to be confirmed by their governing body.

Six organisations have requested an increase in funding as follows:

#### 1 **Hikurangi Historical Museum Society**

Requests an increase of \$200 – no reasoning provided.

- Impact on:
  - WDC budgets if this additional funding is granted – Minimal
  - Grant recipient if this additional funding is granted – Significant impact on levels of service to the public (positive)
- Comments: This small organisation had a deficit of \$1,747 in the last financial year, due to escalating expenses such as insurance, power and maintenance. This small additional sum will assist this organisation to cover its ongoing increased operational costs, and continue to offer its services at the current level.

#### 2 **Northland Society of Arts**

Requests an increase of \$2,300 for garden works for the World Heritage Rose Convention, buses to bring visitors and additional insurance costs.

- Impact on:
  - WDC budgets if this additional funding is granted – Limited
  - Grant recipient if this additional funding is granted – Some impact on levels of service to the public.
- Comments: This organisation made a profit of more than \$30,000 in the year ending 31 March 2012. More recent financial information has not been provided. The level of additional funding requested is minimal, and will support an important one off event. The organisation appears able to continue to cover its current operational costs.

#### 3 **Ruakaka Recreation Centre**

Requests an increase of \$21,200 for project works to renovate the premises – multiple suggested items are noted.

- Impact on:
  - WDC budgets if this additional funding is granted – Moderate
  - Grant recipient if this additional funding is granted – Minimal impact on levels of service to the public.
- Comments: This organisation had a \$20,701 deficit in the last financial year; however this deficit includes depreciation costs of \$23,782. The request for additional funding is not for operational costs, but rather for renovations and repairs to the premises. This organisation is struggling to meet its operational and reporting requirements, and any new project work may exacerbate this situation.

#### 4 **Surf Life Saving Northern Region**

Requests an increase of \$18,600 to reflect the actual cost of providing lifeguard services at Whangarei Heads, Ruakaka and Waipu Cove beaches for the summer holiday period of 22/12/2014 to 30/1/2015.

- Impact on:
  - WDC budgets if this additional funding is granted – Moderate
  - Grant recipient if this additional funding is granted – Very significant impact on service delivery (positive).
- Comments: Whilst most Annual Operating Grants operate as a general grant to support an organisation; the grant funding for Surf Life Saving Northern Region operates differently – as a contract for services. The request for increased funding is to cover the actual cost to provide the required Life Saving services for the summer holiday period.

Two seasons ago these services were not provided at the same level as usual, and significant numbers of complaints were received from the public.

This service is crucial in increasing water safety and reducing drowning and near misses at Whangarei Heads, Ruakaka and Waipu Cove beaches over the busy summer holiday period.

## 5 Tornado Youth Community Trust

Requests an increase of \$10,600 to cover increases in costs and decreases in funding from Government, ASB and the Tindall Foundation. On the application form Tornado Youth states that it can no longer pay any wages, including those for the manager.

- Impact on:
  - WDC budgets if this additional funding is granted – Moderate
  - Grant recipient if this additional funding is granted – Very significant impact on levels of service to the public (positive).
- Comments: Tornado Youth is in a dire financial situation. This additional funding will secure this well used and necessary organisation's future for the next financial year, where otherwise it may financially fail.

## 6 Whangarei Museum and Heritage Trust

Requests an increase of \$30,000 as one-off grant towards the cost of additional wages whilst it completes essential work in the collections area (in preparation for a large accessibility project).

- Impact on:
  - WDC budgets if this additional funding is granted – Moderate to high significance
  - Grant recipient if this additional funding is granted – Minimal impact on levels of service to the public.
- Comments: This organisation is operating with a cash surplus. On the application form Whangarei Museum and Heritage Trust advises that most of the cost of the accessibility project (\$707,000) is being covered with other funding sources. This additional funding is not necessary to maintain the regular operations at the Whangarei Museum and Heritage Trust, but rather is to support the additional works.

## 2014-2015 Financial consideration

The total indicative figure for the 2014-2015 year was \$1,115,300. Total available funding for this period is \$1,150,400.

## Summary of funding requests

In summary, six organisations have requested in total \$82,900 more than the 2014-2015 indicative amounts already set into the draft 2014-2015 Community Funding budget.

All fifteen organisations are recommended to receive the indicated figures for 2014-2015. In addition, of the six requested increases, the following three increases are recommended:

- Hikurangi Historical Museum Society \$200
- Northland Society of Arts \$2,300
- Surf Life Saving Northern Region \$18,600
- Tornado Youth \$10,600

The total amount recommended for disbursement for 2014-2015 is \$1,147,000, which is within budget.

Grants are summarised in the table below:

Organisation	2014-2015 \$ indicated	2014-2015 \$ requested	2014-2015 \$ recommended	\$ Increase/ Decrease
CHART	184,800	184,800	184,800	
Citizens Advice Bureau Whangarei	44,200	44,200	44,200	
Hikurangi Museum	5,000	5,200	5,200	200
Mangakahia Sports Ground	25,900	25,900	25,900	
Organisation	2014-2015 \$ indicated	2014-2015 \$ requested	2014-2015 \$ recommended	\$ Increase/ Decrease
Northland Craft Trust	37,000	37,000	37,000	
Northland Society of Arts	9,700	12,000	12,000	2,300
Northland Youth Theatre	9,700	9,700	9,700	
Ruakaka Recreation Centre	32,300	53,500	32,300	
Surf Life Saving North Region	19,400	38,000	38,000	18,600
Tornado Youth	19,400	30,000	30,000	10,600
Waipu Museum	56,200	56,200	56,200	
Whangarei Art Museum	271,600	271,600	271,600	
Whangarei Museum & Heritage Park	354,000	384,000	354,000	
Whangarei Quarry Gardens	35,400	35,400	35,400	
Whangarei Youth One Stop Shop	10,700	10,700	10,700	
<b>TOTALS</b>	<b>1,115,300</b>	<b>1,198,200</b>	<b>1,147,000</b>	<b>31,700</b>

### 2015-2016 Financial consideration

At present, the Council has to consider all of its expenditure in order to achieve its Long Term Plan (LTP) targets. As part of this consideration the Community Services Department recommends that the Community Funding Subcommittee considers five funding scenarios for Annual Operating Grant for the 2015-2016 financial year.

It is recommended that five scenarios are considered for the indicative amounts for 2015-2016. All have significant benefits and risks to take into account when deciding the course of action for the 2015-2016 financial year.

The five scenarios all use the recommended grants for 2014-2015 as a base, and round the calculated figure down to the nearest hundred dollars. Note: The indicative figures for Tornado Youth and Northland Society of Arts – rather than the recommended grants – are to be used, as both these groups are recommended to receive a one off increase for 2014-2015.

Please see the **attached table** for the financial impact of each scenario on each funded organisation. .

The scenarios are as follows:

#### Scenario One (1)

No change to all fifteen grant figures from 2014-2015

Total budgetary impact for 2015-2016 year: **\$1,134,100.**

Benefits:

- Somewhat in line with LTP targets, as actual costs are reducing, as inflation is not taken into account
- Funded organisations will likely be able to operate for the 2015-2016 with these grant figures.

Risks:

- May not be seen to be a sufficient reduction in costs to align with LTP targets
- Reduction in purchasing power of the funded organisations (due to inflation) may result in some reduction in services offered, and/or in reporting capability
- Some negative feedback is possible as increases are not being allowed for.

**Scenario Two (2)**

2% increase to all fifteen grant figures from 2014-2015.

Total budgetary impact for 2015-2016 year: **\$1,156,000.**

Benefits:

- All fifteen organisations are sufficiently funded at the previous rate plus inflation
- WDC is unlikely to receive negative feedback or complaints from the organisations being funded.

Risks:

- Increased spend compared to 2014-2015 is not in line with LTP targets
- Funded organisations may expect inflation adjustments as a right every year going forward.

**Scenario Three (3)**

3% decrease to all fifteen grant figures from 2014-2015.

Total budgetary impact for 2015-2016 year: **\$1,099,400.**

Benefits:

- Significant cost reductions in line with LTP targets
- Reduced expectations for funding from the funded organisations.

Risks:

- Financial stability of the funded organisations (particularly those already struggling) may be put in jeopardy
- Reduction in services offered, and/or in reporting capability of the funded organisations
- Potential failure of some of the funded organisations, particularly the smaller groups
- Complaints and public scrutiny of WDC.

**Scenario Four (4)**

2% increase for the twelve grants currently under \$100,000, no change for the three grants currently over \$100,000.

Total budgetary impact for 2015-2016 year: **\$1,140,000.**

Benefits:

- The inflation adjustments support the smaller organisations to manage their modest budgets
- Risk of failure or reduction of services in the smaller organisations is reduced significantly
- Unlikely to receive complaints from the twelve smaller grant recipients
- Cost increases are minor, yet have significant impact on the smaller organisations in particular.

Risks:

- Some minor cost increases, which are not in line with LTP targets
- Some negative feedback is possible from the three larger grant recipients as increases are not being allowed for.

**Scenario Five (5)**

No change for the twelve grants currently under \$100,000, 3% decrease for the three grants currently over \$100,000.

Total budgetary impact for 2015-2016 year: **\$1,109,600.**

Benefits:

- Significant cost reductions in line with LTP targets
- Reduced expectations for funding from the funded organisations, particularly the larger grant recipients
- Targeted reductions to reduce negative impact on smaller organisations.

Risks:

- Reduction in purchasing power of the funded organisations due to inflation (twelve organisations) and grant reductions (three organisations) may result in some reduction in services offered, and/or in reporting capability
- Some negative feedback from the small grant recipients is possible as increases are not being allowed for
- Complaints and public scrutiny of WDC for reducing grants to the three large grant recipients.

### **Community Events Reporting**

There has been limited public visibility of the significant Council financial contribution to the events and activities co-ordinated by CHART, Whangarei Art Museum, and Whangarei Museum and Heritage Park. These three organisations are recipients of the largest Annual Operating Grants, each receiving more than \$100,000 per annum.

In order to increase this visibility, we propose that the three organisations receiving Annual Operating Fund grants over \$100,000 be required to report monthly to Whangarei District Council's Community Services Department on any significant community events they have co-ordinated which were directly or indirectly been supported by the Annual Operating Fund. Community Services will then report this information to the Planning Committee under the heading "Arts, Culture and Heritage".

### **Local Government Act**

The amendments to the local government act gained royal assent on 4 December 2012 and have changed the purpose of local government. Previously the impetus for Council's decisions lay with the four well-beings; however, the 2012 amendment act requires us to consider the following:

- Are we providing local infrastructure, local public services or regulatory functions?
- Are we helping meet the current and future needs of our communities?
- Are these activities "good-quality"?
- Are these activities cost effective for households and businesses?

### **Local infrastructure and public service**

Local infrastructure is not defined in the act but section 197 offers a comprehensive interpretation of what it could comprise of. Fundamentally this section refers to community facilities, community infrastructure and network infrastructure; these would be deemed local if they occurred within the district's boundaries. A number of our grant recipients provide community facilities and community infrastructure, all of which are „local“.

Public service is not defined in the act either but there are a couple of sections that provide clarity in the context of this agenda item. Section 11 A (e) states that libraries, museums, reserves, recreational facilities and other community infrastructure are core services to be considered by Council in performing its role; and Section 5 1 (b) identifies the provision of grants as an activity of Council.

With this information, due consideration can be given to all of these grant recipients and that Council is ensuring the provision of local infrastructure and public service.

### **Current and future needs of communities**

All of these grant recipients contribute to meeting our district's needs; whether these are cultural and heritage needs, through the provision of art centres and museums; social needs, by providing youth services, community and recreation centres; or environmental needs, through community activities and places such as the quarry gardens. All of our ward councillors are aware of the needs of their local



communities and are knowledgeable of the contributions these grant recipients make to address these needs.

### **Good quality and cost effective service**

Section 10 (2) defines what this means as the following:

- a) efficient; and
- b) effective; and
- c) appropriate to present and anticipated future circumstances.

Sections 5 and 11 highlight the provision of grants for the delivery of public services and infrastructure as council activities. The contribution to these must be appropriate and cost effective. The provision of annual operating grants is both significant and consistent to ensure these services are sustainable and able to provide services and facilities to meet the needs of our district's communities.

The level of Council's contribution to each of these grant recipients is broad ranging. The grant provided range from 1% of total revenue to 72%.

At no stage is Council providing all of an organisation's revenue and as such these grant recipients are able to secure additional investment and funding outside of local government. This an effective community partnership where Council's contribution is significant but limited and whereby grant recipients can grow their services through funds other than rates. This type of model shows an appropriate and cost effective approach for Council to ensure public service delivery and provision of community infrastructure.

### **Conclusion**

The Community Services Department's Annual Operating Fund offers excellent results in meeting the Council's obligations under the *Local Government Act*. It is working collaboratively with fifteen of Whangarei District's well established local community groups, to ensure a range of community need is acknowledged, explored and met appropriately, efficiently and effectively at a local level.

The provision of Annual Operating Grants to these organisations provides reliable long-term benefits to this developing District, via an efficient and effective funding delivery model. The service delivery is measureable through the required performance measures reporting. The public visibility of funding provided by Council will be increased with the recommended additional reporting requirements on the three organisations receiving grants of more than \$100,000 per annum.

The adoption of the following funding recommendations for 2014-2015 will require expenditure of \$1,147,000 for the 2014-2015 Operational budget of the Community Services Department.

The adoption of the following funding recommendations for 2015-2016 will indicate the expenditure of for the 2015-2016 Operational budget of the Community Services Department.

## Recommendations

1. That the information be received.
2. That the following grants from the Annual Operating Fund for the 2014-2015 financial year, recommended by the Community Funding Subcommittee, to be confirmed by that year's Annual Plan process, be referred to the 9 April 2014 District Living Committee:
 

a) CHART	\$ 184,800
b) Citizens Advice Bureau Whangarei	\$ 44,200
c) Hikurangi Historical Museum Society	\$ 5,200
d) Mangakahia Sports Ground Society	\$ 25,900
e) Northland Craft Trust	\$ 37,000
f) Northland Society of Arts	\$ 12,000
g) Northland Youth Theatre	\$ 9,700
h) Ruakaka Recreation Centre	\$ 32,300
i) Surf Life Saving Northern Region	\$ 38,000
j) Tornado Youth Community Trust	\$ 30,000
k) Waipu Centennial Trust Board	\$ 56,200
l) Whangarei Art Museum Trust	\$ 271,600
m) Whangarei Museum and Heritage Trust	\$ 354,000
n) Whangarei Quarry Gardens Trust	\$ 35,400
o) Whangarei Youth One Stop Shop Charitable Trust	\$ 10,700
3. That one of the scenarios is chosen for the Annual Operating Fund for the 2015-2016 financial year, recommended by the Community Funding Sub-Committee, to be confirmed by that year's Annual Plan process, be referred to the 9 April 2014 District Living Committee:
  - a) Scenario One (1): No change to all fifteen grant figures from 2014-2015
  - b) Scenario Two (2): 2% increase to all fifteen grant figures from 2014-2015
  - c) Scenario Three (3): 3% decrease to all fifteen grant figures from 2014-2015
  - d) Scenario Four (4): 2% increase for the twelve grants currently under \$100,000, no change for the three grants currently over \$100,000
  - e) Scenario Five (5): No change for the twelve grants currently under \$100,000, 3% decrease for the three grants currently over \$100,000.
4. That the three organisations receiving Annual Operating Fund grants over \$100,000 be required to report monthly to Whangarei District Council's Community Funding Department on any significant community events they have co-ordinated, that have been directly or indirectly been supported by the Annual Operating Fund. Community Services will then report this information to the Planning Committee under the heading "Arts, Culture and Heritage".

### Attachment

1. [Schedule of scenarios – Community Funding Sub-committee](#)

## ATTACHMENT: 12 MARCH 2014 COMMUNITY FUNDING SUBCOMMITTEE

Organisation	2014-2015 \$ recommended	Indicative \$ Amount 2015- 2016  <i>Scenario 1:</i> No change	Indicative \$ Amount 2015- 2016  <i>Scenario 2:</i> All ↑ 2%	Indicative \$ Amount 2015- 2016  <i>Scenario 3:</i> All ↓ 3%	Indicative \$ Amount 2015- 2016  <i>Scenario 4:</i> ↑2% if under \$100K, N/C if over \$100K	Indicative \$ Amount 2015- 2016  <i>Scenario 5:</i> N/C if under \$100K, ↓3% if over \$100K
CHART	184,800	184,800	188,400	179,200	184,800	179,200
Citizens Advice Bureau Whangarei	44,200	44,200	45,000	42,800	45,000	44,200
Hikurangi Museum	5,200	5,200	5,300	5,000	5,300	5,200
Mangakahia Sports Ground	25,900	25,900	26,400	25,100	26,400	25,900
Northland Craft Trust	37,000	37,000	37,700	35,800	37,700	37,000
Northland Society of Arts	12,000*	9,700	9,800	9,400	9,800	9,700
Northland Youth Theatre	9,700	9,700	9,800	9,400	9,800	9,700
Ruakaka Recreation Centre	32,300	32,300	32,900	31,300	32,900	32,300
Surf Life Saving North Region	38,000	38,000	38,700	36,800	38,700	38,000
Tornado Youth	30,000*	19,400	19,700	18,800	19,700	19,400
Waipu Museum	56,200	56,200	57,300	54,500	57,300	56,200
Whangarei Art Museum	271,600	271,600	277,000	263,400	271,600	263,400
Whangarei Museum & Heritage Park	354,000	354,000	361,000	343,300	354,000	343,300
Whangarei Quarry Gardens	35,400	35,400	36,100	34,300	36,100	35,400
Whangarei Youth One Stop Shop	10,700	10,700	10,900	10,300	10,900	10,700
TOTALS	<b>1,147,000</b>	<b>1,134,100</b>	<b>1,156,000</b>	<b>1,099,400</b>	<b>1,140,000</b>	<b>1,109,600</b>

\* Northland Society of Arts and Tornado Youth are recommended to receive one-off increases for 2014-2015, then return to the 2014-2015 indicative levels of funding as a baseline for any 2015-2016 funding calculations.