

8. SPORTS, LEISURE AND EVENTS SIGNIFICANT ACTIVITY REVIEW – FINAL REPORT

Officer responsible Business Process Manager	Author Chris Kerr, DDI 941-8671
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The purpose of this report is to seek the Committee's recommendations on the review of the Sports, Leisure and Events significant activity. This report will also be considered by the Arts, Culture and Heritage Committee (for Events) and will then go to the Strategy and Finance Committee for recommendation through to the Council.

BACKGROUND AND PROCESS

The review of Sports, Leisure and Events is one of a rolling programme of significant activity reviews being carried out over the next two to three years. This review has been carried out in conjunction with the Community and Leisure Committee, the Arts, Culture and Heritage Committee and the Strategy and Finance Committee.

Review Objectives

The review had the following objectives:

1. *To identify the major cost (operational and capital) and revenue drivers for the previous six years and the next five financial years (operating) (including a comparison against actual and forecast CPIs) for this period and based on these to evaluate options to reduce costs and/or increase revenues*
2. *To review the forward projections for capital expenditure at QEII Park to identify the relative merits of the proposed capital spending and to identify alternatives.*
3. *To review all current contractual arrangements relating to sports, leisure and events to ensure that:*
 - *Council approved levels of service are being achieved;*
 - *Options for service delivery are considered; and*
 - *Contracts are efficient and effective.*
4. *To review management and governance structures to ensure that:*
 - *There is no duplication in roles and responsibilities, and therefore additional costs; and*
 - *They support the achievement of Council agreed sports, leisure and events goals and targets.*
5. *To review Council owned sports, leisure and events infrastructure to ensure that Council investment is best utilised to achieve Council agreed goals and objectives.*
6. *To review options for alternative levels of service.*
7. *To review each output to determine which are statutory and/or discretionary activities and to ensure that the most appropriate method of service delivery is in place in light of potential and actual duplications and the roles of other service providers.*

Timing and Focus of Review

The review commenced in May 2002 with the last seminar on review findings being presented in April 2003. The review focused on three specific areas of activity:

- Leisure facilities (predominately QEII Park, Centennial Pool and Pioneer Leisure Centre)
- Events
- Recreation programmes

The major issues and outcomes from the review of these areas are set out in this report. The report should be read in conjunction with the presentation made to the seminars.

Review Process

The stages of the review completed to date are:

1. Review Team work with the Leisure Unit to identify issues etc
2. Review Team presentation to Corporate Team
3. Review Team draft presentations (2) to joint Standing Committee meeting – Strategy and Finance, Community and Leisure, and Arts, Culture and Heritage

The next stage is to report to the Community and Leisure Committee (leisure facilities and recreation programmes) and the Arts, Culture and Heritage Committee (events) for recommendation through to the Strategy and Finance Committee. This report will then be forwarded to the Council for approval.

MAJOR FINDINGS

Leisure Facilities

The major issues and opportunities that were identified during this part of the review were:

Revenue Opportunities

The Leisure Unit identified the following new revenue opportunities for the Council's consideration, the first group of these have already been included in the Draft 2003/04 Annual Plan:

Included in Draft 2003/04 Annual Plan:

- o Facilities Signage - \$30,000. Revenue from the placement of advertising signage in facilities (included in Draft 2003/04 Annual Plan)
- o QEII Rental Space - \$20,000. Revenue from the leasing of vacant space in the foyer area (included in Draft 2003/04 Annual Plan).
- o QEII membership - \$55,000. Revenue from making use of increased casual patrons to generate additional memberships (included in Draft 2003/04 Annual Plan).

For future consideration:

- o QEII Hydroslide – range of \$180-200,000. Revenue generated from share of patronage and increased use of pool facilities. Options are being reported to the Council.
- o QEII Mezzanine - \$50,000. Revenue from anticipated additional operating surplus.
- o QEII Rentals - \$40,000. Revenue from lease of empty sections on Bower Avenue for development of low cost on site accommodation.
- o QEII Ice Rink - \$40,000. Revenue from rental and energy sales for an ice rink located adjacent to the pools.
- o Arcade Machines - \$20,000. Revenue from placing (sports related) arcade machines in each of the facilities
- o Centennial Pool Attendances - \$60,000. Revenue from regaining lost attendances following QEII opening – projected to be in 2004/05 rather than 2005/06.
- o Admission and Membership Fees - \$614,231 after 9 years. Allowance for regular small fee increases rather than occasional larger increases.
- o Progressive Closure of Suburban Pools - \$155,000 (over 5 years). The closure of the suburban pools as dropping attendance and increasing maintenance costs warrant it.
- o Closure of Sockburn Recreation Centre - \$95,000. Opening of Pioneer and Centennial facilities, and the outdated nature of the facility, has driven falling utilisation.
- o Cathedral Square Toilets - \$80-100,000. Introduction of a nominal charge of 20 cents to use the facility

Pricing

The Review has identified the need to put in place a Pricing Policy for all of the activities managed by the Leisure Unit. The Terms of Reference for this review sets out the following aim:

“To establish a policy for the pricing of services in leisure facilities and community based recreation programmes that contributes to the Council's policy outcomes.”

This process will be led by the Leisure Unit and reported to the Community and Leisure Committee.

Asset Management

While asset maintenance plans are in place for the major facilities there is an urgent need to put in place comprehensive asset management plans for all facilities. These will help to clarify what the desired levels of service are, what levels of funding are required to keep the assets in a suitable condition and what the future investment levels are likely to be based on asset deterioration and gaps in service delivery. The Property Unit will provide the asset planning resource for the development of these asset management plans.

Management Options

The review looked closely at options for providing leisure services at facilities. Four options were evaluated – Outsourcing, Corporatisation, Asset Transfer and Status Quo – and it was considered that the status quo provided the Council with the best mix of efficiency of service delivery and effectiveness of achievement of leisure outcomes.

Effectiveness

How effectively the leisure facilities were achieving Council policy and strategy was evaluated. There was a strong contribution to children and youth, people on low incomes and people with disabilities and further work is required in the area of older people as these are currently under represented in terms of use.

Events

The review recognised that there has been, and still is, significant work being carried out under the governance of the Festivals and Events Subcommittee. The review supported this work as being critical to gaining clarity for the Council about where investment is best made to achieve the wide range of outcomes being sought.

Efficiency of Service Delivery

The review concluded that:

- The Festivals and Events Subcommittee could add financial criteria to the funding approval process (which covers a much wider set of outcomes) as follows:
 - Support a funding cap of \$5 subsidy per attendee; this would provide incentives for festival and event organisers to reach the maximum audience possible.
 - Cap the percentage of total cost that the Council would meet to 50% for exampleBased on the current funding mix these criteria would release between \$100,000 and \$160,000 per annum with this funding either being re-allocated to other festivals and events or treated as a saving.
- The forward budget for Events and Festivals does not reflect the actual achievement of sponsorship funding (as a revenue). This practice reflects some uncertainty about the security of sponsorship funding and the desire to utilise any sponsorship funding gained to add value to the particular event. The review has suggested that in terms of standard Council accounting practice the forward budget should show all the costs and revenues anticipated, this approach would add \$60-80,000 to the forward budget for revenue and add a similar amount for costs (ie it would be cost neutral overall).
- The Leisure Unit has been pro-active in achieving savings of \$62,000, these savings are included in the draft 2003/04 Annual Plan.

Effectiveness of Policy Achievement

The review concluded that:

- The Council needs to determine what the appropriate level of overall funding should be based on the achievement of agreed outcomes.
- The work being done by the Festivals and Events Subcommittee should provide the Council with a robust framework within which it can make funding decisions for individual events and festivals.

Community Recreation Programmes

Efficiency of Service Delivery

The review concluded that:

- The Community Boards are currently funding programmes that could be considered core to the achievement of Council policy. This process requires considerable staff time in 'bidding' for the funding. The review supports these programmes being funded by the Council from metropolitan funds. This approach would release some staff time for other community recreation programme activities (approximately 1 full time equivalent) and dependant on the funding regime could increase Council spending by about \$240,000 per year.
- Internal costs are currently not charged to Community Board funded community recreation projects hence providing a hidden subsidy for these. The review supports fully charging all time and costs to these projects as per the standard accounting practice for the Council.
- The review supports the Events Team delivering (rather than planning) the events funded by Community Boards. This would serve to release community recreation advisor time for other activities and would use the specialist skills of the Events Team appropriately. This proposal would have some impact on the resources required in the Events Team dependant on the timing of the Community Board events.
- Pricing of community recreation programmes will be looked at as part of the Pricing Policy review.
- The Leisure Unit has proposed the following savings:
 - Included in Draft 2003/04 Annual Plan
 - Reduction of a Leisure Planning position which is currently vacant - \$41,000
 - Reduction in funding for recreation and art programmes - \$3,500 Bottle Lake Orienteering, \$10,000 Ethnic Communities, \$1,500 Burwood/Pegasus equipment pool.
 - Efficiencies in administration for Kiwiable Leisure Card - \$12,000
 - Total savings of \$68,000
 - Not Included in Draft 2003/04 Annual Plan
 - Reduction in funding for community recreation initiatives - \$20,000

Effectiveness of Programme Achievement

The review concluded that:

- There is a strong fit with targeting programmes to the target groups of children, youth and people with disabilities though not as strong a fit with older adults.
- There is a strong fit with targeting of programmes to those with limited income and limited accessibility.
- More and better quality information is required on the size of the target groups, ability to pay and the actual impact of the programmes in terms of policy goals.
- Community Events do not fit as well as the Community Programmes and would seem to be targeted more at achieving community cohesion rather than direct recreation and sport outcomes.
- There is a high demand for children and youth programmes, this suggests the Council could be providing more if it wants to more fully achieve its policy goals.

CONCLUSIONS

The overall conclusion that can be reached from the Sports, Leisure and Events Significant Activity Review is that there are a number of opportunities to change and improve practices, there are some specific savings opportunities (supported by the Leisure Unit), there is a need for the Council to specifically address its approach to pricing these services, the level of effectiveness of policy achievement is generally high and the unit as a whole is very dedicated, professional and successful in delivering its services.

Staff

Recommendation: That the Community and Leisure Committee recommend to the Strategy and Finance Committee:

1. That the savings identified by the Leisure Unit, which have not already been included in the Draft 2003/04 Annual Plan, be the subject of reports to the Community and Leisure Committee setting out the process and challenges for implementation, with the intent of including these savings in the Draft 2004/05 Annual Plan if appropriate. It is anticipated that this process will realise, in addition to the \$280,000 already included in the Draft 2003/04 Annual Plan, savings and additional income in the range of \$350,000 to \$465,000.
2. That the Property and Leisure Units report the proposed programme for developing Asset Management Plans for all major leisure facilities by the October 2003 Community and Leisure Committee meeting.
3. That the funding source for core Community Recreation Programmes be reviewed by the Community and Leisure Committee in time for the 2004/05 Annual Plan with particular consideration being given to the approximately \$240,000 of core programmes currently funded by Community Boards.
4. Included in the above review is the proposal that all Community Board funded Community Events and Community Programmes be charged the appropriate internal costs in accordance with standard accounting procedures.
5. The method of delivering the Community Events is reviewed by the Leisure Manager
6. A research programme is commissioned for Community Recreation Programmes to identify, at least, ability to pay, size of target groups and actual impact of programmes with the results of this to be reported to the Community and Leisure Committee to influence the 2005/06 Annual Plan. This report should serve as an input to consideration of the level of Council funding required to achieve policy goals.

Chairman's

Recommendation: For discussion.

