Sport and events facilities

Assessment of alternative arrangements for recreation sporting, event and cultural facilities through re-organisation of councils in the Wellington region

NZIER report to Henley Hutchings

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Authorship

This paper was prepared at NZIER by Mike Hensen

It was quality approved by Peter Clough

Key points

Sport, cultural and other major event amenities each contribute to council provision of community services but also pose quite different operational and capital spending challenges for either territorial authorities or a regional group of councils. The mechanisms used for the delivery of these services vary across the region due in part to differences in community preferences/demography and past council decisions.

Anecdotal evidence suggests that there is duplication of both operational and capital spending on sport and cultural amenities by councils in the Wellington region. Analysis of the long term plans shows differences in the balance between user pays and community pays for a given activity across councils but does not provide any strong evidence of economies of scale within the region.

Therefore the arguments for improvement of the efficiency of the delivery of sport and cultural services are qualitative rather than quantitative. Also as it is likely to be politically difficult for a merged council to de-commission a functioning sports or cultural amenity, any investment efficiencies may need to be achieved gradually as facilities fall due for upgrade or renewal.

These factors may make it difficult for the current configuration of councils to deliver a ‘pyramid of supply’ of different sized facilities that efficiently meets regional and local demand for activities ranging from large events to weekend amateur sport.

Mergers of councils may be necessary to encourage decision-makers to take a broader geographical view of the portfolio of assets they are managing to realise the potential efficiencies. There are multiple options for these mergers including:

* five different amalgamation options for the existing territorial authorities that combine adjacent territorial authorities
* stronger regional delivery through transfer of obligations to the Greater Wellington Regional Council (GWRC)
* two options for one Wellington Council:
  + without local boards
  + with local boards.

In considering these options, there is a trade-off between defining the merger area widely enough so that there are worthwhile efficiencies available but narrowly enough so that number and timing of rationalisation decisions that need to be made is tractable and expectations for local democracy can be met.

The apparent difference between Wellington City Council (WCC) spending and investment on sport and cultural facilities may temporarily delay the realisation of benefits from a merger of all the councils in the region. (A possible reason for this difference is that the WCC spending and investment includes what are effectively regional amenities.) The root cause of the difference will need to be analysed and areas of overlap between WCC and other council spending identified.

Contents

1. Introduction 1

1.1. Scope 1

1.2. Reasonable practical options 1

1.3. Criteria 2

2. Current situation 4

2.1. Introduction 4

2.2. Identifying areas for improvement 5

2.3. Comparison of council spending 5

2.4. Conclusions 8

3. Reasonable practicable options 9

3.1. What changes would mergers allow 9

3.2. Comparing the options 9

3.3. Conclusions 10

Tables

Table 1 Sources of funding 6

Table 2 Capital spending for new and replacement assets 7

# Introduction

## Scope

The Local Government Commission has received two alternative proposals for the arrangement of local government in the Wellington Region. These are for a unitary council in the Wairarapa and for a unitary council for the whole of the Wellington Region with a second ‘Board’ tier of local governance.

The objective of this paper is to evaluate the cost and benefit of status quo arrangements for the delivery of regional facilities associated with sporting cultural and other events in the Wellington region. The issue to be addressed is whether current arrangements are efficient and effective.

This report is a high level analysis of the drivers of council operational and capital spending as described in council long term plans, key strategy documents and interviews with a small number of council staff. Our report focuses on the two sets of decisions on council provision of sporting, cultural facilities that are most likely to be influenced by mergers of councils:

* balance between community pays and user pays
* allocation of future investment funding to upgrade existing or build new facilities over the next ten years.

## Reasonable practical options

This paper is part of an evaluation of the reorganisation of Wellington councils that has received submissions on 17 reasonable practicable options. To make the analysis task more tractable the project manager has identified 9 reasonable practicable options grouped into 4 primary reasonably practicable options) and sub-options within two of those. The 9 options are:

* the status quo
* enhanced local efficiency - territorial authority amalgamations including:
  + one Wairarapa territorial authority
  + one Hutt Valley territorial authority
  + one Western and North Wellington territorial authority
  + one Wairarapa and one Hutt Valley territorial authority plus Wellington City Council (WCC), Porirua City Council (PCC) and Kapiti Coast District Council (KCDC)
  + three territorial authorities
* stronger regional delivery – the transfer of obligations to the Greater Wellington Regional Council
* one Wellington Council with no local boards
* one Wellington Council with local boards.

Reasonable practicable options for councils to rationalise their sporting cultural and other event facilities are also affected by the following influences:

* local authorities can find it difficult to decommission and rationalise sports, cultural and other event facilities because of strong community attachment to those facilities. Also in the case of sports fields, the alternative uses for the land are sometimes limited[[1]](#footnote-1).
* some national funding bodies such as Sport New Zealand have developed guidelines for the type of facility required for different populations.

## Criteria

Individual council’s portfolio of sport, cultural and event facilities is the legacy of a set of historical decisions based on community demand and availability of funding. The current utilisation of these facilities is influenced by a combination of the following:

* accuracy of the forecasts for level of demand and nature of use at the time the facility was built - are they still fit for purpose[[2]](#footnote-2)
* decisions on the location and design of newer facilities – were they complementary or compete with existing facilities.
* balance between community pays and user pays

Using this proposition as a starting point we have focused on the ‘Local services’ and ‘ Communities and issues’ sections of the evaluation criteria drawn from the Local Government Act evaluation framework as follows:

* Local services:
  + Would the provision of local services be improved?
  + Would delivery be more efficient (provide more services for the same level of resources)?
  + Would delivery be more effective (deliver facilities more closely aligned to current and future requirements of the community)?
  + Is the provision of regional facilities different from the provision of local facilities
* Communities and issues:
  + What are the issues currently facing the affected area?
  + What are the issues that the communities of the affected area must address in the future?
  + To what extent are the issues able to be addressed / being addressed under the status quo?

Economic principles applied to the characteristics of sports and recreation facilities can assist in this assessment. Much local government activity can be described as dealing with local market failures and externality effects and the most efficient level of dealing with such effects varies with scale. Thus playing fields and stadia hosting regional teams or competitions are regional facilities deserving support across the communities that benefit, whereas those of more neighbourhood character are more appropriately provide by more local communities through mechanisms such as targeted rates.

Sport and recreation facilities occupy a spectrum from excludable private goods (such as swimming pools and court facilities) to open access public goods (such as parks and gardens) with playing fields in mid-range serving aspects of both (excludable pitch use and open access informal visitation). This provides guidance on the relative mix of user pays and communal funding arrangements for the different types of facility.

These principles may help guide co-ordination efficiencies when applied to the merging of functions across district authorities. Clearer identification of the types of facilities in the region-wide network, the markets they serve helps to identify the complementarity and substitution between different facilities and where over-or under-supply occurs that can be addressed by the merged entity.

# Current situation

## Introduction

Sport, cultural and other major event amenities each contribute to council provision of community services but also each pose quite different operational and capital spending challenges for territorial authorities or a regional group of councils alike. In particular:

* venues for large events such as stadia require a catchment area large enough to attract major events to generate frequent use of the facility. Although individual communities may aspire to building these facilities the cost of constructing these venues tends to limit the duplication.
* assessing and meeting local demand for sporting and recreational amenities is complex because:
  + community preferences for sport and recreation can change quickly as can the types of games offered within codes and the playing surfaces required
  + people playing sport are often affiliated to regional or national organisations that both set requirement for the quality and willingness to pay for facilities and also alter how sports facilities are used
  + the capital intensity, and life of the facilities varies between sports
  + sport and recreation facilities share a common problem of low utilisation during school hours. The suggested solution to this problem is to make the facilities more convenient for schools to use (preferably by locating them closer to or within schools.)
* Cultural facilities such as libraries, museums and community halls are essentially purpose built facilities that vary widely in scale and use according to the needs of the community in which they are located. Their attraction to people living outside the community in which they are located will depend on the uniqueness[[3]](#footnote-3) in the region.

The above comments suggest that:

* it is difficult to identify worthwhile opportunities for more efficient or effective service simply by counting the number of facilities in each area or comparing utilisation rates.
* demand for large event venues, sport and large cultural amenities, are all likely to have a regional as well as a local dimension. For those facilities where the regional demand is material it would be sensible to make decisions about future provision as if they were part of a portfolio[[4]](#footnote-4)

## Identifying areas for improvement

Experiences to date such as the failure of councils to engage with the regional amenities fund and the positioning of the Wellington Region Sports Field Strategy as a guide to management rather than a regional strategy[[5]](#footnote-5) suggest territorial authorities are reluctant to consider amenities outside their boundaries in making investment decisions.

Mergers of councils may be necessary to encourage decision-makers to take a broader geographical view of the portfolio of assets they are managing. However the effect of the merger options on how these services might be delivered in future would depend on:

* how the thinking of decision-makers about rationalising current and future provision would be changed by considering geographically broader portfolios of diverse sporting or cultural facilities
* how successful decision-makers were in persuading local communities of the merits of rationalisation of facilities.

## Comparison of council spending

In the following tables we provide examples of the available[[6]](#footnote-6) data on how councils fund sport and cultural activities and also their planned investment. Comparison of the data is limited by the different groupings of these services used by councils.

The comparison of the operational spending suggests that councils adopt quite different approaches to balancing the funding of these activities between rates funding and funding from other sources of revenue:

* for indoor recreation facilities and pools the use of non rates revenue ranges from 24 percent (Upper Hutt) to apparently almost 60 percent (Porirua)
* for sports fields the use of non-rates revenue seems to vary from less than 10 percent (Porirua and Kapiti Coast) to more than 30 percent (Wellington City).

The analysis of capital spending indicates that Wellington City accounts for the bulk of the planned investment in sporting and cultural facilities over the remainder of the long term plan period (2015 to 2022) in both new and replacement assets.

Comparisons of per capita sport and cultural spending and planned investment need to be treated with caution because of the different classification used by councils. However, analysis of per capita spending and planned investment showed a wide variation across both types of activity and councils, but did not indicate any systematic relationship between the size of the population and the either planned spending or investment. Per capita spending and planned investment was higher for Wellington City than for the other councils which contrasts with the some of the comments we heard in interviews.

Table Sources of funding

Forecast annual revenue for the year ended 30June 2014

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Council** | **Expenditure type** | **User charges and other cost recovery** | **Maximum of total funding or expenditure** | **User charges etc. share of total funding or spending** |
| **Wellington** | Gardens, beaches and green open spaces | 7,122 | 37,024 | 19% |
|  | Conservation attractions |  | 5,751 | 0% |
|  | Arts and culture activities | 1,241 | 18,929 | 7% |
|  | Recreation promotion and support | 13,159 | 38,529 | 34% |
|  | Community support | 20,997 | 48,940 | 43% |
|  | Urban planning, heritage and public spaces | 21 | 7,180 | 0% |
|  | **Total** | **42,540** | **156,353** | **27%** |
|  |  |  |  |  |
| **Lower Hutt** | Libraries | 836 | 8,741 | 10% |
|  | Museums | 802 | 3,812 | 21% |
|  | Aquatics and recreation | 4,432 | 10,370 | 43% |
|  | Parks and Reserves | 2,045 | 12,233 | 17% |
|  | Community Development | 147 | 3,363 | 4% |
|  | **Total** | **8,262** | **38,519** | **21%** |
|  |  |  |  |  |
| **Upper Hutt** | Community development | 108 | 1,583 | 7% |
|  | Facilities | 2,272 | 9,416 | 24% |
|  | **Total** | **2,380** | **10,999** | **22%** |
|  |  |  |  |  |
| **Porirua City** | Arts & Heritage | 220 | 2,676 | 8% |
|  | Libraries | 177 | 2,822 | 6% |
|  | Community Recreation Programmes | 89 | 152 | 59% |
|  | Indoor Recreation | 3,631 | 6,512 | 56% |
|  | Sports Fields & Outdoor Courts | 147 | 3,973 | 4% |
|  | City Landscape | 100 | 5,268 | 2% |
|  | Council Property (democratic process) | 1,754 | 3,973 | 44% |
|  | **Total** | **6,118** | **25,376** | **24%** |
|  |  |  |  |  |
| **Kapiti Coast** | Community Assets (includes pools) | 2,142 | 6,329 | 34% |
|  | Libraries Museum & Art | 315 | 4,176 | 8% |
|  | Parks and Open Spaces | 99 | 4,523 | 2% |
|  | **Total** | **2,556** | **15,028** | **17%** |
|  |  |  |  |  |

Source: NZIER analysis of council’s long term plans

Table Capital spending for new and replacement assets

Planned total spending over the period 2015 to 2022

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Council** | **Activity** | **New assets to improve service quality or scale** | **Replacement of existing assets** | **Total capital spending** |
| **Wellington** | Gardens, beaches and green open spaces | 7,802 | 14,401 | 22,203 |
|  | Conservation attractions | 1,073 | 2,034 | 3,107 |
|  | Arts and culture activities | 316 | 66 | 382 |
|  | Recreation promotion and support | 5,843 | 23,851 | 29,694 |
|  | Community support | 83,353 | 60,401 | 143,754 |
|  | Urban planning, heritage and public spaces | 6,027 | 33,137 | 39,164 |
|  | **Total** | **104,414** | **133,890** | **238,304** |
|  |  |  |  |  |
| **Lower Hutt** | Libraries | 912 | 9,113 | 10,025 |
|  | Museums | 597 | 1,726 | 2,323 |
|  | Aquatics and recreation | 20,394 | 7,533 | 27,927 |
|  | Parks and Reserves | 18,196 | 2,434 | 20,630 |
|  | Community Development | 227 | 816 | 1,043 |
|  | **Total** | **40,326** | **21,622** | **61,948** |
|  |  |  |  |  |
| **Upper Hutt** | Community development | 454 | 381 | 835 |
|  | Facilities | 6,832 | 3,012 | 9,844 |
|  | **Total** | **7,286** | **3,393** | **10,679** |
|  |  |  |  |  |
| **Porirua City** | Arts & Heritage |  |  | 183 |
|  | Libraries |  |  | 3,416 |
|  | Community Recreation Programmes |  |  |  |
|  | Indoor Recreation |  |  | 1,422 |
|  | Sports Fields & Outdoor Courts |  |  | 3,108 |
|  | City Landscape |  |  | 5,842 |
|  | Council Property (democratic process) |  |  | 27,125 |
|  | **Total** |  |  | **41,096** |
|  |  |  |  |  |
| **Kapiti Coast** | Community Assets (includes pools) | 682 | 5,770 | 6,452 |
|  | Libraries Museum & Art | 12,405 | 1,359 | 13,764 |
|  | Parks and Open Spaces | 8,809 | 16,026 | 24,835 |
|  | **Total** | **21,896** | **23,155** | **45,051** |
|  |  |  |  |  |

Source: NZIER analysis of council’s long term plans

## Conclusions

The comparison of reliance on rate funding shows wide variations in council community views about the extent to which users are expected to pay for funding sporting and cultural activities. The analysis of spending per capita did not show councils with higher populations spent less on sport and cultural activities than councils with lower populations.

Based on their long term plans, councils in the region plan to invest about $400 million in sport, cultural and community facilities over the period 2015 to 2022. Just over half of the planned spending is to replace existing assets.

The data provided by individual council also gives a sense of the operational and capital spending base that each of the nine reasonable practicable options would be able to leverage.

# Reasonable practicable options

## What changes would mergers allow

The reasonable practicable options for mergers may allow councils to:

* adopt a consistent approach to the balance between community and user pays for sports fields (which are effectively services to regional organisations)
* improve the services provided by the investment in new or replacement assets by re-configuring their portfolio to remove duplication and better meet the needs of the community
* diversify the range of facilities offered or the range of services offered by individual facilities to manage the risk of change in tastes and fluctuating fortunes of individual sporting codes
* co-ordinate more effectively with:
  + national funders such as Sport New Zealand and Outdoor New Zealand (that also can assist councils to manage community expectations for the quality of sports facilities and advise on effective facility ownership models)
  + Ministry of Education to ensure sport facilities are aligned with school requirements.

We cannot quantify the value of these benefits based on the information we have reviewed. The current differences in council approach to providing sport and cultural services suggest that the potential benefits will be delivered gradually from an activity-by activity review of services as these amenities are scheduled for major upgrades or new investment.

A key question for the merger process will be how to address the difference between the spending[[7]](#footnote-7) on sport and recreation between Wellington City Council (WCC) and the other councils.

## Comparing the options

Territorial amalgamations that do not involve WCC would allow individual councils to achieve modest benefits in the short term by aligning user pays policies across each sporting code and over the longer term through rationalisation of their investment plans.

Currently the councils in the region (excluding WCC and the Wairarapa councils, plan to invest about $160 million in replacement and new sport and cultural facilities.

Based on the information we have taken from the long term plans, we estimate that the building blocks for the proposed merger options (excluding the Wairarapa councils[[8]](#footnote-8)) would create the following indicative approximate[[9]](#footnote-9) starting groupings of operational and capital spending:

* one Hutt Valley territorial authority (Upper Hutt and Hutt City Councils) would create a new entity with operational spending of about $50 million per year and planned capital spending of $73 million over the period 2015 to 2022
* one western and northern territorial authority (WCC, PCC and KCDC) would create a new entity with operational spending of about $197 million per year and planned capital spending of $324 million over the period 2015 to 2022 and an opportunity to re-align the balance between user pays and community funding
* a one Wellington council approach would create a new entity with operational spending of about $246 million per year and planned capital spending of $397 million over the period 2015 to 2022 and an opportunity to re-align the balance between user pays and community funding

Options that involve transfer of the obligations to the Wellington Regional Council or the creation of ‘one Wellington Council’ should in theory allow the same type of benefits to be achieved in the rationalisation of user pays contributions and co-ordination for investments as suggested above for amalgamations of other territorial authorities. In addition, a region-wide council, with a well-defined regional sport and cultural facility strategy/plan is less likely to be exposed to having to seriously consider ‘me-too’ proposals for large facilities in multiple areas, than if those areas are each in a different territorial authority.

However the apparent difference between the WCC spending on sport and cultural facilities and that of the other councils may temporarily delay the realisation of these benefits. (A possible reason for this difference is that the WCC spending and investment includes what are effectively regional amenities[[10]](#footnote-10).) Management and governance of either the ‘augmented’ Wellington Regional Council or the new ‘one Wellington Council’ are likely to require time to analyse the root causes of the difference between WCC and other council spending and investment to identify facilities spending that can be better co-ordinated.

## Conclusions

Anecdotal evidence suggests that there is duplication of both operational and capital spending on sport and cultural amenities by councils in the Wellington region. Analysis of the long term plans shows difference s in the balance between user pays and community pays for a given activity across councils but does not provide any strong evidence of economies of scale within the region.

Therefore the arguments for improvement of the efficiency of the delivery of sport and cultural services are qualitative rather than quantitative. Also it is likely to be politically difficult for a merged council to de-commission a functioning sports or cultural amenity, any investment efficiencies may need to be achieved gradually as facilities fall due for upgrade or renewal.

The apparent difference between WCC spending and investment on sport and cultural facilities may temporarily delay the realisation of benefits from a merger of all the councils in the region. The root cause of the difference will need to be analysed and areas of overlap between WCC and other council spending identified.

1. They are sometimes located in flood plains or over old landfills that have physical hazards for higher value use [↑](#footnote-ref-1)
2. Current ‘fitness for purpose’ is also affected by how the facility has been used and maintained. [↑](#footnote-ref-2)
3. Translating ‘uniqueness’ into a measureable rating is difficult. In practical terms it would be more clearly described as the availability of close substitute to the facility that are more conveniently located for people living outside the region. [↑](#footnote-ref-3)
4. The ‘Wellington Regional Sports Field Strategy’ prepared for the Wellington Territorial Authorities by Longdill and Associates in September 2013 is an example of the feasibility and limitations of this approach for the current configuration of councils. The objective of the report was to inform decision on the future provision of winter sports fields for the three main winter codes rugby, football and league. The report concluded that across the region there was a 20 percent surplus of capacity for weekend competition but a 20 percent deficit for weekday training, Wellington had fewer fields per capita than other TAs and that teams coped with the shortage of training capacity by using indoor venues or other playing surfaces. [↑](#footnote-ref-4)
5. Another example is the earthquake strengthening of the Tawa swimming pool apparently with only cursory consideration of whether the facility was still required given the proximity of swimming pool facilities in both Porirua and Johnsonville that were expanded or built after the swimming pool in Tawa. [↑](#footnote-ref-5)
6. The Wairarapa councils did not have data on long term capital plans and are not included in the following tables. [↑](#footnote-ref-6)
7. We estimate that Wellington City Council operational spending on sport and recreation per capita is about double that of the other councils in the region and the level of non rate revenue per capita is about two to three times that of the other councils. [↑](#footnote-ref-7)
8. The Wairarapa councils were not included because we were not able to obtain comparable capital spending information in the time available to complete this report.) [↑](#footnote-ref-8)
9. These groupings are described as approximate and indicative because each council seems to use slightly different groupings of the operational and capital spending in their long term plans. [↑](#footnote-ref-9)
10. This could be due to the easy rider syndrome – the main city and attractor of tourists often spends more on open space/recreation facilities than peripheral settlements in the same urban area, because residents of the periphery can travel to the centre to use its spaces more readily than central residents can travel out. May also be that some underlying input costs such as land are simply higher in Wellington. [↑](#footnote-ref-10)