

Appendix A: Council investments in sports facilities

Council investments through commercial and community lease

1. Auckland Council currently manages 453 sport community leases and four commercial golf leases. These two types of leases have different terms and conditions. Table A compares the two types of leases.

Table A: Community and commercial leases

	Community lease	Commercial lease
Decision-making	By local boards, with recommendations from council staff.	By Pānuku Development Auckland Board, with recommendations from the Pānuku staff. Local Boards are required to approve term of a commercial lease for properties located within local parks. All new tenants are credit checked.
Policy or guidelines	The <i>Community Occupancy Guidelines 2012</i> provides guidance to local board on the decisions making and gives an overview of standard terms and Conditions Local boards may, at their discretion, choose to vary from these recommendations on a case-by-case basis as they deem appropriate.	Pānuku Development Auckland use a standard commercial lease template for new leases based on market norms for leasing. The template is made available to prospective tenants prior to signing.
Rent	The standard rental amount is usually peppercorn rental of \$1 per annum rent. If a community group generates significant revenue over expenditure, the relevant local board may choose to charge a percentage rental.	The rent amount differs from property to property. Properties managed by Panuku are carried out on a commercial basis. Rent charged is usually the optimum rent that can be achieved on the open market and is subject to rent review.
Length	<ul style="list-style-type: none"> • <u>Council-owned land and building</u>: five years with a further five years right of renewal (one year with a further one year of renewal for newly established community groups). • <u>Community group-owned building on council-owned land</u>: ten years standard, with a further ten year right of renewal. 	Varies from property to property and can be driven by anticipated hold period for property, amount of fit out investment required and local board requirements.
Annual reporting	<p>As a condition of tenancy, community groups are required to submit an annual report and complete with an accountability form based on the agreed Community Outcomes Plan. The Community Outcomes Plan will include information on:</p> <ul style="list-style-type: none"> • the group's activities • membership, revenues and benefit that the group will provide to the community • measures that will be used to review the group's performance against the plan over time. <p>The council retains the right to terminate an occupancy agreement should a community group fail to achieve agreed outcomes.</p>	There is no standard reporting for commercial leases. However, Panuku is involved in development of a reporting tool to enhance stakeholder visibility.

	Community lease	Commercial lease
Renewal	Upon final expiry, a community occupancy agreement will automatically roll over on a month-by-month basis under the same terms and conditions as the original agreement until a new agreement is reached.	Some leases contain a tenant right to renew however in the absence of either party taking action to end the lease or enter into a new lease, the lease automatically rolls over on same terms and conditions as previously with either party able to give one month's notice to terminate.

Current lease agreements

- Community leases data extracted on 20 December 2016 showed that:¹
 - only a very small number of community leases (33 out of 453 leases) were granted after the amalgamation
 - most lease agreements have very long duration. For example, there are 150 ten-year leases, 25 twenty-year leases, 46 thirty-three-year leases
 - the renewal terms vary greatly, ranging from 1 year to over 33 years with additional right of renewal afterwards. A large proportion of lease agreements (161) currently do not specify renewal terms. Work is currently being undertaken to address this issue
 - the rent amount varies greatly. The average annual rent is \$490.69 across Auckland. The average rent for each local board ranges from \$1.01 to \$3,712. The average rent for each sports code ranges from \$37 to \$3,588.
- Information about commercial lease agreements is provided in Appendix B as Auckland Council only has four commercial leases with golf clubs.

Council investments through community loans and loan guarantees

- Auckland Council has eighteen loan agreements with sports organisations, which worth around \$11.5 million:
 - 15 of the 18 loans will mature within the next five years (by Dec 2021). The other three loans will mature in 2018, 2025 and 2039.
 - the top three largest loan balances (Eden Park Trust, Bruce Pulman Park, Herne Bay/Ponsonby Racket) worth around \$11.1 million and account for more than 97 percent of the total loan balance

Current loan balances	No. loans
>\$6 million	1
\$2 million – \$6 million	1
\$500,000 – \$2 million	1
\$100,000 – \$500,000	0
\$50,000 - \$100,000	3
\$10,000 - \$50,000	6
<\$10,000	6

¹ All lease data is currently stored in the council SAP online portal. The portal is currently under development to ensure accuracy and consistency. The leases data provided in section was extracted on 20 December 2016 and might change slightly once the work is complete.

- most current loans are for clubs but there are a few loans for trusts, associations, unions, societies and sport centres
- loans currently support a small number of sport codes and a few multi-sport facilities.

Sport code	No. loans
Rugby and league	6
Croquet and Bowling	2
Multi-sport	4
Other sport codes	4

5. There are ten loan guarantee agreements that are sport-related, which worth around \$41.4 million:
- most of the agreements are with sports clubs but there is also a sport body and a couple of sport associations
 - the largest loan guarantee (with Eden Park, \$40 million) accounts for more than 97 per cent of the total loan guarantee balance. There is one loan guarantee that is over \$500,000, two that are over \$100,000 and the rest are less than \$100,000
 - in terms of sport codes, there are five loan guarantee agreements with football clubs. The others support tennis, badminton, gymnastics, beach boating and cricket.

Council investments through rates remissions and postponements

6. Auckland Council inherited four rates remission and one rates postponement scheme from the former legacy councils on amalgamation.² Table B compares the rates remissions and postponements schemes.

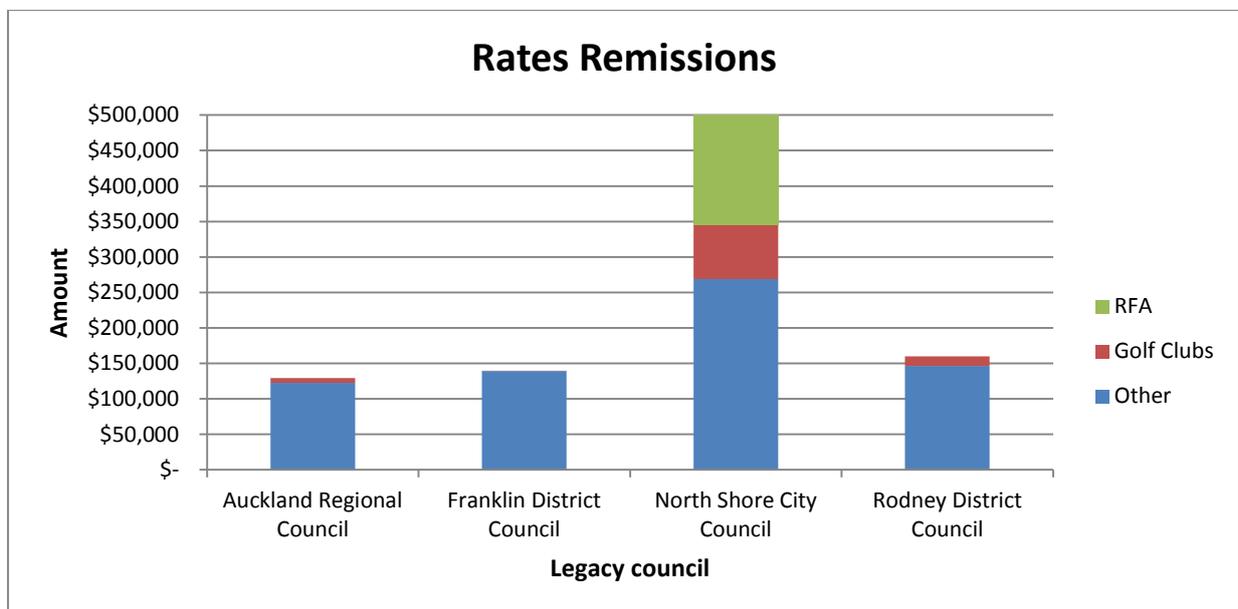
Table B: Rates Remissions and postponements

	Rates Remissions	Rates Postponements
Definition	Rates remissions are a reduction in rates usually by a set percentage.	Rates postponements defer the payment of rates until a future point in time, usually the sale of a property.
Schemes	There are four legacy council rates remissions schemes that support community and sports organisations. These were offered by Auckland Regional Council, Franklin District Council, North Shore City Council and Rodney District Council.	There is one rates postponement scheme to support sports clubs offered by the Manukau City Council.
Objectives	To facilitate the ongoing provision of non-commercial community services and recreational opportunities and to make the membership of the organisation more accessible to the general public and disadvantaged groups.	To provide relief to sports clubs which own rateable land that contribute significantly to potential residential development or subdivision.

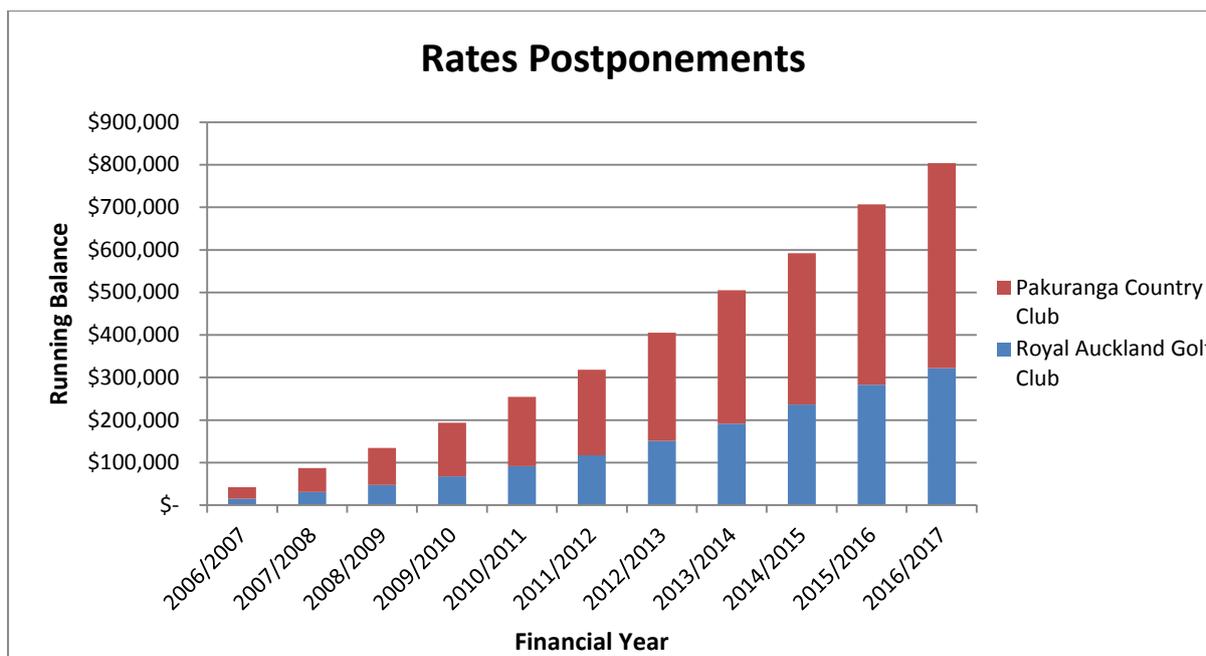
² In addition to the rates remissions and postponements schemes for sports clubs and community organisations discussed above, there are also five legacy rates remission schemes to support heritage protection and one legacy rates postponement scheme to support businesses on Great Barrier Island. The value of the heritage schemes in 2016/2017 totalled \$76,198 and the Great Barrier Island scheme totalled \$13,109.

	Rates Remissions	Rates Postponements
Conditions and Criteria of Schemes	<p>The conditions and criteria vary between the individual schemes. In general, recipients have to provide the following in their application to prove they meet the relevant criteria:</p> <ul style="list-style-type: none"> a. statement of objectives b. full financial accounts c. information on activities and programmes d. details of membership and clients. 	<p>To be eligible for rates postponements, the land must be located in the district of the former Manukau City Council and the club must make a written application demonstrating:</p> <ul style="list-style-type: none"> a. it has been developed for sporting purposes prior to 1 January 2003 b. continues to be used solely for sporting purposes since 1 January 2003.
Renewal	<p>For the rates to be remitted or postponed, Auckland Council may require evidence each year, by way of statutory declaration, to confirm that the rating unit still complies with the conditions and criteria of the scheme.</p> <p>The council can apply for the remission or postponement on behalf of the ratepayer, provided the council is certain that the property meets all the criteria of the scheme.</p>	

7. The total value of the rates remissions schemes was \$949,027 in the 2016/17 financial year. Rates remissions to sports clubs totaled \$322,084. It is an ongoing cost to the council as the current rates remissions agreements are being rolled out indefinitely.
8. Rates remissions granted by North Shore City Council account for more than half of the total value. The highest value of rates remissions agreements are granted to golf clubs and Regional Facilities Auckland (RFA). A breakdown of the various rates remission schemes is set out in the graph below by legacy council areas.



9. There are two rates postponements agreements, which had accumulated \$803,351 in postponed rates since 2006/07. The accumulated value has been growing rapidly due to high postponed rates and interest charged. This poses significant financial risks to the two recipient golf clubs.



Council investments through sport and recreation grants

10. Current sport and recreation grants encompass eight different local and regional grant schemes. Each grant has different objectives and supports different providers in different ways to deliver different scales of benefits, in various forms, to the community. The decision making processes, criteria and reporting requirements therefore, are also very different across different grant schemes.
11. One of the grant schemes (Community Access Scheme) provides operational funding to address gaps in the sports and recreation facility network across Auckland. The three local grant schemes are used to support local priorities and can be used to support the provision of sports facilities in the local areas.
12. Table C provides a brief description of the eight schemes, followed by evaluation results for Community Grants and Community Access Scheme. Assessment for the locally-driven initiative (LDI) funding and other discretionary grants is not included as it is difficult to draw general conclusions due the different processes and criteria used across 21 local boards.

Table C: Sports and recreation grant schemes

REGIONAL		LOCAL	
Contestable	Non-Contestable/ Targeted EOI	Contestable	Non-Contestable
<p>Regional Sport and Recreation Grants Programme (\$508,000 p.a.) Annual, contestable grant programme. Operational funding for one-off projects, or multi-year grants. Funding is allocated by the Governing Body.</p>	<p>Community Access Scheme (\$1 million p.a.) Operational funding to address gaps in the sport and recreation facility network. Budget line items within the Long-term Plan.</p>	<p>Community Grants (around \$432,000 in 2015/2016)</p> <ul style="list-style-type: none"> • Quick Response grants • Local grants <p>Contestable grant programme run by each local board. Operational funding for one-off projects.</p> <p>Budget, priorities and round dates vary</p>	<p>Discretionary Grants and Budget Line Items (varies from year to year) Allocated by the local boards either through the Long-term/Annual Plan processes, or via local board resolution throughout the year.</p>
<p>Facility Partnership (\$6 million p.a.– disestablished) Was a sub-regional, contestable, capital grant programme. Programme no longer exists although some projects are yet to be completed.</p>	<p>Strategic Partnership (\$550,000 p.a.) Operational funding; budget line item within Long-term Plan. Currently granted to Active to deliver on ASARSAP.</p>		<p>LDI Capex (varies from year to year) Capital projects; budget may be used as grants for partnership projects. Budgets, priorities and process vary across the boards.</p>
	<p>Auckland is my Playground (\$104,000 p.a.) Targeted funding towards outcomes in the Young People's Plan.</p>		

Evaluations results

Community Grants:

Principle	Dimension	Assessment summary
Outcome focus	Strategic alignment	Aligned – the <i>Guide to the Local Board Grant Programme</i> specifies that grant proposals will be assessed against their contributions to Auckland Council and local board priorities. The individual local board programmes guidelines specify the priorities for community grants for each local board.
	Outcome measurement	Aligned – community grants only offer one-off, small amount of funding (<\$10,000) so it is difficult and uneconomical to conduct a full assessment of the outcomes. Fund recipients are required to complete an accountability form that provides information about their projects/programmes/activities and their community outcomes. Information provided in the accountability form is monitored by staff. There is also a separate assessment on the delivery of Māori outcomes.
Accountability	Efficiency and Effectiveness	Aligned – community grants are contestable to ensure the best proposals are chosen. Applications are made online and assessed by council staff. Local boards then make decisions based on council staff's recommendations.
	Transparency and consistency	Partially aligned – no transparency issue as the assessment process is made available to the public. However, there are consistency issues as each local board has its own process and criteria.
Equity	Equity of outcomes	Aligned – community grants are used to deliver local priorities and therefore should help address equity issues in the local areas.
Financial sustainability	Financial viability	Aligned – project budget and financial information is required for grant applications. The project expenditure is reported in the accountability form. There is no consideration of the long-term viability of the project or the organisations as the grants are small and one-off.
	Affordability of the public	Partially aligned – affordability of the public is not an assessment criteria but grant applications need to specify their community benefits, which could include increased access and affordability of the public.

Community access scheme:

Principle	Dimension	Assessment summary
Outcome focus	Strategic alignment	Aligned – the grant contributes directly to the <i>Auckland Sport and Recreation Strategic Action Plan</i>
	Outcome measurement	Partially aligned – grant recipients are subject to performance indicators and a number of reporting requirements. The nature and scale of community benefits is monitored over time but progress against strategic outcomes or local priorities is not measured.
Accountability	Efficiency and Effectiveness	Aligned – the fund allocation process is not contestable. Currently Auckland Council has 11 funding agreements which it inherited from legacy councils. A review is being carried out to test whether the 11 agreements align with the new <i>Community Access Scheme Guidelines</i> . On a three yearly basis, expressions of interest may be called to address targeted facility access issues (for example, in a geographic area, for a type of facility or to increase access to a particular sport and recreation activity or targeted populations). Possibly some efficiency gain as funding is prioritised when partnerships with other organisations are leveraged and multi-use of facilities can occur.
	Transparency and consistency	Aligned – new guidelines set out the purpose, outcomes, process criteria and investment principles which provide transparency and ensure consistency in the decision making process.
Equity	Equity of outcomes	Aligned – the guidelines specifies that projects should align with strategic outcomes and help meet an existing or identified need in the Sport Facility Investment Plan and/or Community Facility Network Plan or demonstrate improving equity of community access. Investment will also be prioritised when a barrier to access can be greatly reduced (such as cost, cultural, physical, transport).
Financial sustainability	Financial viability	Aligned – project budget and financial information is required annually and is monitored. Long-term viability of the project or the recipient organisations is considered.
	Affordability of the public	Aligned – funding is prioritised when a barrier to access can be greatly reduced.