

# **KNOX CITY COUNCIL**

## **SUPPLEMENTARY REPORT**

### **ORDINARY MEETING OF COUNCIL**

to be held

on

Monday 26 February 2018

14.1 Eastern Football League

**ALL WARDS****14.1 EASTERN FOOTBALL LEAGUE**

**SUMMARY:** *Leisure Service Coordinator (Peter Gore)*

*This report responds to the Call Up Item resolved at Council's Ordinary meeting of 27 November 2017. The Call Up item sought information and advice on issues and options relating to the arrangement between Council and the Eastern Football League (EFL) particularly linked to the management and delivery of the local football competition program.*

**RECOMMENDATION**

**That Council:**

- 1. Notes the report responding to the Call Up Item.**
- 2. Commences negotiations with the EFL regarding amended Licence conditions in preparation for a new Licence Agreement commencing 2020.**
- 3. Commences negotiations with the EFL regarding Tormore Reserve for the period 2018-2020.**
- 4. Invites Club Presidents from all Australia Rules Football Clubs in Knox to a forum to discuss opportunities to secure greater benefits for Knox based clubs with the EFL and the general long term strategic direction of football in Knox.**

**1. INTRODUCTION**

Council approved a Call Up item at its meeting of 27 November 2017 seeking further information and advice on items related to the EFL's management of the local competition as follows:

*That Council receive a report at the Council Meeting on 26 February 2018 outlining possible mechanisms to:*

- 1. Introduce a license and fee upon the Eastern Football League (EFL) regulating the use of facilities owned by the Knox City Council as part of the EFL's home and away, and finals football competition;*
- 2. Quarantine all revenue generated from any license introduced to be used to upgrade female facilities at Knox City Council sporting pavilions;*
- 3. Ensure that the EFL's affiliation fees or other charges imposed on any Knox based sporting clubs in order to participate in the EFL's football competition do not place an unreasonable financial burden upon Knox based sporting clubs;*

### **14.1 Eastern Football League (cont'd)**

4. *Ensure that gate charges or any other fees imposed at any EFL matches on facilities owned by the Knox City Council are collected and used for the benefit Knox based sporting clubs and subject to appropriate Council scrutiny and control.*
5. *Ensure that the conduct of the EFL's football competition respects and promotes competition and fair trade in a way that benefits local sporting clubs, participants and spectators.*

When investigating and preparing this report, officers have had regard to Council's Call Up Items at Council Meetings Policy, and in particular, Item 6.5 which states:

"Where preparing a report responding to a Call Up Item which will require more than 3 person days or \$5,000 in costs, then the matter which is subject to the Call Up Item should be referred by Council to the next budget considerations with a supporting business case for consideration along with other competing priorities".

Council has a crucial role to play in planning and providing for the current and future needs for sporting infrastructure which allows the community to participate in the broad range of activities that deliver health and wellbeing outcomes. Football is a key sport played in Knox and Council is the primary provider of significant infrastructure for the sport as well as providing support for local clubs through such initiatives as community grants and Club Development programs. Council works in partnership with local clubs and the EFL to support and develop football as an accessible and successful community sport within Knox.

Council officers have undertaken an investigation which included benchmarking with other active team sports and discussion with the EFL (initially on 12 December 2017 and a follow up meeting on 25 January 2018). A submission from the EFL has also been provided to Council under separate cover. The information and outcomes of this investigation are outlined below.

## **2. DISCUSSION**

### **2.1 The Eastern Football League (EFL)**

The Eastern Football League (EFL) is a not-for-profit incorporated association with a history that dates back to its original roots in 1903 as the Reporter District Football League.

The EFL describes its primary role as the running of the local Australian Rules Football competition as well as umpire development and increasing participation in Australian Rules Football across the Eastern Metropolitan Melbourne Region. More recently the EFL has been running a local netball program aligned to its member football clubs.

### **14.1 Eastern Football League (cont'd)**

The EFL is now the largest Australian Football competition in the country, in terms of numbers of players participating each weekend. The League is only as strong as its clubs and its recent focus has been on strengthening club management and game development strategies.

While its primary purpose is to oversee the operations of the league, the EFL also has taken a strategic leadership role with some of the key challenges facing the sport including:

- Maintaining and growing participation rates in existing and new markets.
- Understanding demographic changes including an ageing population, a changing cultural mix and limited population growth areas.
- Ensuring the viability of EFL clubs and managing the expectations of players with regards to remuneration.
- Recruitment and retention of volunteers for/by clubs.
- Managing club player pathways.
- Maintaining, developing and promoting the EFL brand.

The Call Up Item has raised issues as to ways in which the current arrangements between Council and the EFL can most effectively support local football clubs and their operations within Knox. The EFL has provided information on its response to some of the ideas raised in the Call Up item.

### **2.2 Introduce a license and fee upon the Eastern Football League (EFL) regulating the use of facilities owned by the Knox City Council as part of the EFL's home and away, and finals football competition.**

The facilities that are used by the EFL affiliated clubs during the home and away football season are currently governed under a seasonal tenancy agreement with each individual club as the tenant of the facility.

This is the same tenancy arrangement that is in place with other sporting clubs such as cricket, soccer, etc. As the competition provider, the EFL is not required to have a tenancy agreement for home and away games, with its involvement primarily being in game development, competition governance and competition integrity. A Licence Agreement with the EFL for use of the facilities would therefore not be considered appropriate while Council has direct tenancy with its local clubs.

### **14.1 Eastern Football League (cont'd)**

A possible mechanism to achieve direct involvement of the EFL for the home and away season would be for Council to cease seasonal tenancies with individual clubs, and instead require the EFL to take on the seasonal tenancies for Council's Australian Rules football facilities. This would potentially provide significant efficiencies to Council's operations in that it would transfer the individual allocation of facilities and fee administration directly to the EFL. The EFL would have greater responsibility for its competition. It could also decline to do so.

Council and the EFL have an existing Licence Agreement for finals at Marie Wallace Bayswater Oval that commenced on 1 August 2015 for a five (5) year term and will sunset on 31 July 2020. Finals games are organised directly by the EFL which manages the risk and OHS associated with larger events and to ensure competition neutrality for the teams involved. Officers have received advice from Council's lawyer that Council cannot impose additional fees upon the EFL or renegotiate any of the terms of the existing Licence Agreement without the agreement of EFL. As such, a new agreement with the EFL is only possible after the final season (from 2020 onwards) or by agreement with the EFL earlier. The EFL has indicated that it believes the current Agreement to be satisfactory and does not wish to introduce new or increased conditions to the current Licence, which would possibly limit the scope for Knox based clubs or the EFL to play finals at those venues. The 2017-18 Licence fee for the EFL's use of Marie Wallace Bayswater Oval is \$665 (inc. GST).

The EFL has also suggested the current Licence fee was negotiated and accepted by Council as partly in recognition of the EFL and Council's advocacy to the State Government and AFL Victoria for increased investment at the site. The Bayswater redevelopment resulted in approximately \$500,000 of State Government and AFL Victoria funds in 2011-12.

Council may wish to consider maintaining a "peppercorn" Licence fee with a future agreement if the EFL is again able to demonstrate advocacy and assistance in securing additional capital works funding from State Government funding programs and/or AFL Victoria for further redevelopment of reserves within Knox.

Alternatively Council could consider an increased fee which would be based on a higher return on the costs associated with the licence, recognising the level of net profit made by EFL from the competition and allocation of this profit targeting Knox clubs.

The EFL also utilises Tormore Reserve for senior finals under a casual use arrangement. Council's nominated 2017-18 fee for casual usage is \$665 per day (adopted fees and charges). Council could require the EFL to have a Licence Agreement in place for the next two years until a new agreement covering both reserves can be negotiated in 2020.

### **14.1 Eastern Football League (cont'd)**

Benchmarking undertaken by Council officers has identified the following Licence fees paid to other Councils by other football leagues within metropolitan Melbourne:

- Darebin City Council charges the Northern Football League \$676 per day as a casual booking fee for the use of Preston City Oval for finals day matches. The Northern Football League held final matches over 7 days in 2017 equating to a total fee of \$4,732.
- Moreland City Council also charges casual hire fees for the use of its recreation reserves to the Essendon District Football League for finals football. The majority of finals were however played at Windy Hill, nevertheless the Coburg City Oval was used on three separate days throughout the final series, with a total hire cost of \$450.00 (\$150.00 per day).
- The benchmarking has shown some consistencies with Tormore Reserve (in terms of the type of agreement and fee).
- Both Councils (benchmarked) do not have any long term Licence Agreements with their local football association, rather casual booking applications are applied for with each Council on an annual basis.

There are a range of additional staff costs associated with both ovals during the Division 1 and Division 2 finals provided to the tenant football club. Council staff generally prepare the reserves for finals in Round 16 of the football season (a few weeks out from the finals). Typical additional activities include super sopper, herbicide applications, drainage activities, rolling the centre of the ground (turf table), mowing, weeding and tidying of the entire site. If Council was of the mind to increase fees to recover this additional maintenance, this would be approximately \$3,600 per ground.

This costing is for additional maintenance and does not include general maintenance as part of regular upkeep for the reserve. A future fee could also be calculated based on an assessment of these broader costs to Council.

#### **Recommendation**

Council can implement a new licence fee and revise conditions after the sunset of the existing Agreement in 2020, incorporating Tormore Reserve as part of a new licence agreement. There is also the opportunity to introduce a new licence specifically for Tormore Reserve for the period 2018-2019 and 2019-2020.

Officers recommend that Council commence negotiations as soon as practicable with the EFL to enter into a new licence for finals at Tormore Reserve to formalise current casual use arrangements.

### **14.1 Eastern Football League (cont'd)**

In parallel, discussions should also commence regarding a new combined Licence for both reserves to be implemented at the expiry of agreements in 2020.

It is envisaged that any new licence could seek (as a minimum) to negotiate higher fees ensuring, full cost recovery is returned for additional ground maintenance and improvements. This would also involve profits being used to support Knox based clubs. Alternatively, a new agreement could recognise or provide for a reduced fee in the event of successful advocacy for significant capital investment in other Knox Australian Rules Football facilities by the State Government or AFL.

Any new or revised conditions in a subsequent agreement would be brought to Council for approval prior to the expiry of the current agreement.

#### **2.3 Quarantine all revenue generated from any license introduced to be used to upgrade female facilities at Knox City Council sporting pavilions.**

Based on the current Marie Wallace Bayswater Oval Licence fee for 2017-2018 the income received directly for the EFL tenancy and usage by Council is \$665 (inc. GST) per annum.

Tormore Reserve is used four times during the finals period and this generates a total income to Council of \$2,660 per annum (\$665 – casual use per day).

Funding can be quarantined for the development of female friendly sporting facilities on an annual basis if Council resolves to do so. Council is free to decide how it wishes to apply any fees it collects.

Advice from the EFL suggests that the finals involves revenue of approximately \$375,000 and makes a profit for the League of approximately \$118,000 (senior finals) and while this is invested in programs to assist clubs, it should be noted that this is across the broader eastern region. Given Knox Council provides the facilities, there is a strong argument to have the EFL provide greater programs to Knox specific clubs and/or require a greater contribution specifically targeted to areas of need such as upgrades to female facilities at Knox City Council sporting pavilions.

There is also an opportunity for both Council and the EFL to advocate to other levels of Government and the AFL directly, to address issues associated with increasing female participation in AFL football. Given this approach, partnering with the EFL for grant submissions and advocating for additional resources to support women in sport would be beneficial for both parties. This also may be a matter to raise with Eastern Region Councils to develop an advocacy strategy seeking funding for the significant growth in women's sport.

### **14.1 Eastern Football League (cont'd)**

There may also be merit in considering developing a strategic football plan for Knox or a broader strategic plan as a partnership with other interested Eastern Region Councils. Typically, such a sports and infrastructure plan for Knox would cost approximately \$35,000 and could be considered as part of current or future Council budget processes.

Some concerns have been raised about high payments to players in the competition and the possible impact on club operations. The EFL has been actively trying to introduce a player points system and the introduction of player payment rules to manage the expectations of players with regard to remuneration.

#### **Recommendation**

As funding collected through the current Licence is not currently material in value, it is proposed that the impact of contributing it to the delivery and upgrading of female friendly facilities would be negligible (at this stage), therefore, it would not be recommended to quarantine revenue generated from licenses.

This, however, should be further reviewed at the end of the current agreement, with a potential quantum increase in new licence fees. Alternatively, revenue collected could contribute to targeted development programs.

The proposed allocation of any future funding to support women's sport from any new licence negotiated with the EFL after 2020 will also be included in a report to Council prior to expiry of the current agreement once the quantum is known.

#### **2.4 Ensure that the EFL's affiliation fees or other charges imposed on any Knox based sporting clubs in order to participate in the EFL's football competition do not place an unreasonable financial burden upon Knox based sporting clubs.**

The structure of the Eastern Football League's fees and charges vary across its competitions (Junior, senior women's and senior men's). Historically these fees are based on an affiliation fee, team fees and umpire payments. In its submission to Council, the EFL has stated that it believes it has the lowest average Australian Rules Football fees across Melbourne based on a % of the fee income against all revenue income for the EFL.

Council officers undertook a comparison exercise across three key winter sporting activities (Australian Rules Football, Soccer and Rugby League) in Knox and their respective affiliation fees, insurances, player fees and charges.



### 14.1 Eastern Football League (cont'd)

The comparison case study is based on a four team club (three senior teams and a colts or women's team). The figures collected for the EFL club and soccer are based on existing Knox clubs' 2017 fees. The Rugby League fee is based on the Victorian Rugby Leagues club 2017 fee schedule. The results are in the table below.

<u>Sport</u>	<u>Affiliation and Insurance</u>	<u>Player Fee (If applicable)</u>	<u>Other Fees (If applicable)</u>	<u>Total</u>
EFL Club*	\$10,880	N/A	\$1,415 (Football Records)	\$12,295
Soccer Club*	\$13,790	\$11,070	N/A	\$24,860
Rugby League	\$12,600	N/A	N/A	\$12,600

\* EFL and Soccer have a separate umpire fee which is not listed as the FFV was not able to provide this at the time of this report. These fees are historically based on meeting umpire payments with no surplus.

The EFL has reported that it has attempted to minimise the impact of its affiliation fees and charges by controlling annual fee escalations below CPI. An example of this is its affiliation and insurance fees have increased by 9.7% in the last ten (10) years while CPI has increase by 21.4% in the same period.

Ultimately the impact of the League's fees and charges and its impact on the viability of a club can be measured by the flow-on impact the fees have on the individual membership/playing fees. Most clubs set the players membership fees to largely cover direct playing/affiliation and insurance costs. In discussions with the EFL it has provided information on a recent article in the Courier Mail, which looked to provide an estimated participation costs amongst key sports. A key finding was the comparison of the average registration costs (Seasonal) that identified the following:

- Australian Rules Football: \$160 Junior/\$400 Senior
- Football (soccer): \$400 Junior/\$500 Senior

In addition, the EFL has advised that the funds collected through its fees and charges contribute to developing programs and events. Furthermore, clubs that are supportive of EFL suppliers can also share in the Finals Levy Rebate each year, with the total pool worth around \$32,000-\$40,000 (An average of \$3,000 to \$4,000 per club).

## **14.1 Eastern Football League (cont'd)**

### **Recommendation**

Based on the information provided by the EFL, and Council's comparison case study on fees, officers believe the EFL fees are reasonable and have been maintained at lower levels to maximise participation and affordability.

Legal advice provided by Russell Kennedy Lawyers has advised that any attempt by Council to regulate affiliation through existing seasonal tenancy agreements with clubs could be considered contrary to the Competition and Consumer Act. It is recommended that Council follow the advice of Russell Kennedy Lawyers.

### **2.5 Ensure that gate charges or any other fees imposed at any EFL matches on facilities owned by the Knox City Council are collected and used for the benefit of Knox based sporting clubs and subject to appropriate Council scrutiny and control.**

All spectator fees are historically associated with senior sporting matches to offset costs associated with club operations and running costs. This is generally a common practice for football codes with the gate fees largely collected by Australian Rules Football and soccer clubs in Victoria. All gate receipts generated by Knox clubs during the senior home and away season and junior finals are collected and retained by the home/host club.

Legal advice provided by Russell Kennedy identified Council's inability within the current Licence to prohibit or restrict the imposition of gate charges and other fees for any EFL finals series, as the nature of its organisation has not changed during the Licence term and gate charges were known to Council during Licence negotiations.

Advice from the EFL indicates that only senior finals gate receipts are retained by the EFL. The League has reported that the funds generated by senior finals \$375,000 (with \$296,000 collected through gate receipts in 2017) go toward covering the operating costs of the finals of \$245,000 in 2017. The net profit is therefore approximately \$130,000. However it does not include an allocation of EFL staff cost which has been estimated at a further \$15,000.

Council offices have been advised that surplus funds raised are directed to development programs, community projects and some general EFL operating costs. Twelve Knox clubs (26% of EFL clubs) would be beneficiaries of these programs. Projects and programs that have been funded across the region in recent years include:

- Netball - \$81,000 to subsidise the operating loss of a new local netball competition (co-hosted at the Knox Regional Netball Centre);
- Road Safety Programs for 16 and 17 year-olds - \$36,000;

### **14.1 Eastern Football League (cont'd)**

- Club Drug and Alcohol education and other development seminars through Sport & Life Training (SALT) - \$18,000;
- Sports Chaplains Placement in clubs and to help with youth tragedies - \$30,000; and
- Blue Ribbon Donation (to be used for a dedication in an eastern suburbs hospital) - \$70,000.

The impact of an increase to the current level of the existing Licence fee could be a decreased capacity of the EFL to conduct regional development programs. However, any additional funding received directly by Knox City Council could be directed back to Knox clubs specifically.

#### **Recommendation**

As gate fees are collected by individual clubs during the home and away season (not the EFL) any changes to the clubs' capacity to collect gate fees is likely to generate a negative response from clubs and club members. Furthermore, as gate fees are generally accepted practice across senior Winter sport, it is recommended that Council does not attempt to regulate fees of the home and away season.

#### **2.6 Ensure that the conduct of the EFL's football competition respects and promotes competition and fair trade in a way that benefits local sporting clubs, participants and spectators.**

The EFL has advised that, while it has a number of commercial arrangements in place with corporate partners who supply products to the league and affiliated clubs, there is no mandate that the clubs have to exclusively use a preferred supplier. The EFL does strongly encourage member clubs to support those partners by stocking a range of products from both preferred and non-preferred suppliers during the final series.

The EFL currently has commercial arrangements with CUB - Carlton Draught, Coca Cola, Elastoplast, Sherrin, TLA (Puma), Sherwood and Champion.

In general, commercial arrangements are in place to assist with lowering participation costs to clubs (sponsorship/increased buying power) and to ensure regulated pricing and consistent standards.

Clubs that are supportive of EFL suppliers share in the Finals Levy Rebate each year, with an average return of \$3,000 to \$4,000 per club.

It has been suggested that host clubs make between \$5,000 and \$15,000 operating profit (after expenses) for hosting between 2 and 4 full days' worth of games. Operational expenses include a hosting fee of approximately \$15,000.

### **14.1 Eastern Football League (cont'd)**

Legal advice has identified that Council is unlikely to be able to restrict the EFL's commercial arrangements. Imposing conditions upon clubs (by either the EFL or Council) which regulate use of suppliers is likely to be considered contrary to the Competition and Consumer Act.

As such, the EFL appears to be encouraging but not enforcing Clubs to support its commercial partners (based on discussions with the EFL). Council may wish to further explore this premise with Knox based Australian Rules Football sporting clubs and there may be some benefit in inviting senior office bearers from clubs to meet with Council and discuss this and other finals related matters raised in the report. Whilst these commercial partners are not specifically Knox based, they are, however, considered leading suppliers within the sports industry (as identified in the EFL submission).

#### **Recommendation**

The current commercial arrangements for suppliers appears to be consistent with requirements of the Competition and Consumer Act. Supply arrangements for the finals series are negotiated cooperatively between the participating clubs and the EFL.

It would be valuable for sporting clubs to be invited to meet with Councillors and officers to further discuss fees and commercial supply arrangements and to identify any improvements, if any, which could be made to further enhance benefits to local sporting clubs.

### **3. CONSULTATION**

Officers have consulted with Russell Kennedy Lawyers concerning Council's legal requirements, sought feedback from the EFL on the questions raised in the Call Up Item and benchmarked with other sport associations including the Football Federation Victoria and Victorian Rugby League, on affiliation fees and other charges.

### **4. ENVIRONMENTAL/AMENITY ISSUES**

No environmental or amenity issues are related to this issue.

### **5. FINANCIAL & ECONOMIC IMPLICATIONS**

The EFL's 2017-18 Annual Licence fee to Council for use of Marie Wallace Bayswater Oval is \$665 (inc. GST) and Council charges \$665 per day for casual use of other venues for senior finals. This report identifies an opportunity for Council to increase the Licence Fee to address the costs to Council of the venue provision and the net profit derived by EFL so that a greater return to Knox clubs and the Knox community can be achieved.

### **14.1 Eastern Football League (cont'd)**

Football competitions and finals operated by the EFL are likely to provide an economic impact to the local business community and sporting clubs. A study was undertaken in 2012 by the Northern Football League (NFL) on the economic impact of their 14 game finals series. However, there has not been a study of this kind undertaken in the Eastern region and separate discussions can be undertaken to gauge the willingness of the EFL to conduct a similar study for the Knox finals competition.

### **6. SOCIAL IMPLICATIONS**

Community sporting competitions provide a range of social benefits that includes opportunities for people to interact, health and wellbeing outcomes and increased economic benefit on the local businesses.

### **7. RELEVANCE TO KNOX COMMUNITY AND COUNCIL PLAN 2017-2021**

Sport and recreation activities align with the Community and Council Plan 2017-21 as follows:

#### **Goal 6: We are healthy, happy and well**

Strategy 6.2 Support the community to enable positive physical and mental health.

### **8. CONFLICT OF INTEREST**

Under section 80c of the Local Government Act 1989 officers providing advice to Council must disclose any interests, including the type of interest.

Officer Responsible – (Peter Gore, Manager Youth Leisure & Cultural Services)  
- In providing this advice as the Officer Responsible, I have no disclosable interests in this report.

Author – (Peter Gore, Manager Youth Leisure & Cultural Services) - In providing this advice as the Author, I have no disclosable interests in this report.

