



Managing construction cost increases

Report by Parks and Leisure Australia Advisory

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1. Introduction

The park and leisure sector supports community well-being by offering spaces for physical activity, social interaction, and recreation. Over the past few years, local governments have faced a significant challenge of rising construction costs for new park and leisure facilities. At the same time, community expectations continue to rise, with community members demanding more sophisticated facilities that cater to a wide range of recreation and social needs.

Finding ways to manage cost increases while maintaining quality and access has become critical. This paper reports on a PLA Advisory hosted workshop that explores the issues and considers strategies to help local governments and community groups navigate these challenges.

2. Problem and Purpose

As construction prices have escalated, councils are struggling to balance the need for new developments with the constraints of tight budgets. Without addressing this issue, local governments risk failing to meet community demand for recreational spaces and facilities.

This discussion paper responds to a critical issue that has been raised repeatedly in recent surveys and feedback from Parks and Leisure Australia members. The rising cost of park and leisure facility construction was identified as the greatest challenge faced by local governments in a 2023 survey.

As a first step to identify ways Parks and Leisure Australia (PLA) could more effectively support its members, a workshop was held with attendees at the PLA National Conference in October 2024. This workshop aimed to identify the impacts of increased construction costs, the common themes experienced, and if collective actions across the sector could assist with navigating the challenges facing facility provision.

3. Summary of workshop discussion

Workshop participants discussed how rising construction costs are placing immense pressure on the ability of Local Government Authorities (LGAs) to provide new park and leisure facilities, while also still maintaining and upgrading existing infrastructure. Without changes, they anticipate there will be a growing gap between community expectations and the facilities available, exacerbating inequities in access to public recreation spaces.

Workshop participants were led through a facilitated discussion at their tables and discussed the key assumptions, consequences of inaction and then considered a range of strategies that could assist in managing construction costs of infrastructure projects.

4. Key Assumptions

We are unable to influence construction cost increases

Local governments have limited ability to control the rise in construction costs, which are driven by external economic factors. As such, any strategy must work within the context of these rising costs.

We need to maximise use of existing facilities

Given budgetary constraints, the focus should be on maximizing the use of current park and leisure facilities to meet the growing demand for community-level sport and activities.

The focus is on community-level sport and activities

This paper addresses the needs of local community sport and leisure activities, not high-performance or elite-level facilities.

We are primarily considering the perspective of Local Government

While noting the importance of all levels of government to this topic, local governments are primarily responsible for the planning, funding, and management of community level park and leisure facilities. The strategies discussed here are geared toward addressing challenges from the perspective of local government. They will become a platform from which a whole of government approach to managing these costs can be developed.

5. Potential Consequences of Inaction

As costs rise and funding sources shrink, fewer facilities will be built. Those that are built may be smaller and with reduced functionality, leaving many communities under served. The impacts of rising costs raised through the workshop are detailed below;

More Delayed Projects

Many park and leisure construction projects are being delayed or scaled back due to the inability to meet rising costs. This has led to a backlog of necessary developments, particularly in growing urban and suburban areas where there is increasing demand for recreational spaces.

Limited Scope of New Developments

Local governments are often forced to limit the scope of new facilities or opt for lower-quality materials to stay within budget. This can lead to subpar facilities that fail to meet community needs and that are not sustainable. There can be an increased gap between supply and demand.

Difficulty in Maintaining Existing Infrastructure

As resources are redirected to meet the cost of new builds or upgrades, maintaining existing park and leisure assets becomes increasingly difficult. Councils struggle to keep up with necessary repairs and enhancements for aging facilities, leading to a decline in the quality and accessibility of community spaces. Pressure to fund new facilities puts pressure on funding for renewal of existing facilities, where declining condition of assets will increase.

Increased Pressure on Operational Budgets

Higher construction costs could also lead to increased operational costs, which put pressure on local government budgets. These costs are often passed onto the community through higher fees for facility usage, which can limit accessibility, especially for those with less disposable income.

Equity and Access Concerns

The increased cost of new developments and the difficulty in maintaining existing infrastructure often lead to inequities in access to park and leisure facilities. This can disproportionately impact underserved or disadvantaged communities, where the need for public recreation spaces is often greatest. Inequities can become greater where the 'loudest voices' are supported ahead of other legitimate needs.

Workshop participants concluded that it is crucial to explore innovative models and rethink how LGAs can provide equitable, sustainable, and high-quality park and leisure facilities and by consequence experiences, to their communities.

6. Proposed strategies

Multi-purpose design is a priority

What does this look like?: Multi-purpose designs refer to facilities that serve a range of community needs and activities, allowing for more efficient use of space and resources. For example, sports complexes that can host multiple types of sports, community events, and leisure activities can reduce the overall cost per user.

Considerations for future facility developments: Future designs should prioritise flexibility, enabling the same space to be used for different purposes throughout the year and into the future.

Economies of scale: By creating designs that support multiple functions, we can lower the overall cost of construction, as shared infrastructure reduces the need for duplicated amenities (e.g., parking, changing rooms, or storage).

Modular facilities: The use of modular construction offers the flexibility to expand or reconfigure facilities as demand changes, helping to manage costs while meeting evolving community needs. Modular design also offers the cost saving that comes with template building designs.

Appropriate management models can facilitate additional use and revenue

To counteract cost increases and increase project viability, the park and leisure sector needs to think creatively about new facility models. Revenue generating elements of a facility, could be introduced to subsidise other community benefit elements of a facility that may not be financially self sustaining. For example having a commercially operated gym or coffee shop on site might be able to subsidise programs for those that are unable to pay.

Maximizing use: To get the most value from our existing facilities, it is essential to adopt management models that maximise their usage. This could involve flexible scheduling, shared use agreements with local clubs, and opening facilities during non-peak hours for different activities.

Shared use of council facilities: Reviewing how facilities are managed, including booking policies, can help ensure that they are used more effectively. This might include shared arrangements where multiple groups use the same space at different times or for different purposes.

Review of booking policies: Analysing booking policies across councils can help identify opportunities for greater facility use. For instance, reducing the length of booking periods for peak times, or offering incentives for off-peak usage, can improve overall facility access.

Different management models

A range of different management models are typically used across Australia, for different types of facilities and activities. What is important is choosing the right management model for the capability of the managers, and the outcomes that are sought.

If the outcomes sought are to maximise the use of the facility, the the business development capability and policies about use become more critical.

Facility types can include aquatic facilities, recreation centres and stadiums, outdoor sports fields and clubrooms, multipurpose courts, skate spaces, parks and gardens. Local Government uses a range of approaches to manage these different types of facilities. Larger and complex facilities such as aquatic facilities and recreation centres / stadiums are often managed by Council or through a third party provider.

Facilities such as sports fields and clubrooms are frequently managed by leases, licences or occupancy agreements. Licences and occupancy agreements are often used when multiple different groups are using a facility. Occupancy agreements are typically managed by Council, while leased and licenced facilities may be managed by different agencies or volunteers. Each type of management agreement and tenure brings different benefits and can be used to leverage different outcomes.

Opportunities suggested during the workshop included potential to encourage State Sporting Associations to have more influence on local competitions, identifying locations that already have appropriate infrastructure for where higher level competitions can be played.

Seek innovative solutions through consultation

Actively seeking innovative solutions through consultation with stakeholders is another strategy to manage potential cost increases. Facility users are generally aware of new innovation or modified practices within their sports and can be a good source for innovative solutions. For example pop-up parks or temporary leisure spaces could be used for seasonal events, reducing long-term infrastructure costs.

Before committing to new developments, councils should assess the true viability of the project. This means evaluating the actual need for facilities and considering whether alternative solutions, such as collaboration with private partners or outsourcing to commercial providers, might be more cost-effective.

Consult with local businesses: Local businesses should be consulted as they may be seeking expansion opportunities or new premises where there is access to market. Allied health providers, equipment and sport wear suppliers and food and beverage outlets are worth canvassing for potential interest.

Consult with Allied Industries: Consultation with other industries not traditionally considered could also prove valuable in looking for bespoke solutions or cost savings. Examples of this include sustainability and technology organisations that many have unique offerings that can reduce costs.

Project viability assessment: Conduct more thorough assessments of project viability before beginning new developments to ensure that they are financially viable or provide a benefit to the community that can be clearly articulated, even if it is not in financial terms. This should include consultation with facility managers, end users designers and venue maintenance specialists to determine what efficiencies can be achieved.

Challenging expectations - what we need not what we want.

Stakeholder expectations including internal (staff, councils, community members) and external (National Sporting Organizations (NSOs), State Sporting Associations (SSAs) stakeholders may have inflated expectations regarding facility specifications. It is essential to define what is required for functionality versus what would be considered a "nice-to-have."

Necessity vs. luxury: Consider whether all facilities are truly needed or if upgrades to existing infrastructure might suffice. This can reduce the need for new construction, which is becoming increasingly unaffordable.

Upgrading existing facilities: Focus on improving existing facilities rather than constructing new ones. This is a cost-effective way to extend the life of the infrastructure while meeting community needs.

Club ownership and expectations: Many clubs have specific infrastructure demands that may exceed realistic budgets. It is important to manage expectations and explore funding

and partnership options that involve shared responsibility for new developments. Be clear about the available project budget and what can be achieved. Where appropriate involve stakeholders in the decision making.

Number of facilities: The number of facilities in a region may need to be reconsidered to ensure that there is a balance between quantity and quality. Excessive facilities could lead to resource fragmentation and underutilization.

Prepare business cases for all facilities, not just stadiums and aquatic facilities: rigorous assessment is made on use and sustainability of major complex facilities, but often not for the smaller facility redevelopments. All facilities should be viewed for their opportunity to increase capacity and multipurpose use at the business case stage.

Consider Opportunities for broader collaboration or partnerships

Cross-council collaboration: Councils can collaborate with neighboring councils to pool resources and expertise, reducing individual costs. This collaboration could extend to sharing facilities, joint programming, or even joint construction projects.

Public-private partnerships: A council could partner with a private investor to build a new recreational facility (e.g., an indoor sports arena), with the private partner taking on the construction costs in exchange for a long-term management contract.

Innovative models: Explore non-traditional models for facility development and management with facility managers, end users and the community. This could include partnerships with businesses, schools, or universities, where facilities are shared.

Partnering with other industries: Engage with schools, universities, medical centers, and other community-focused organizations to share facilities, reduce construction costs, and expand programming opportunities.

Seeking non-traditional funding sources: Look for funding beyond government grants, such as corporate sponsorships, private investors, or crowd-sourced funding, to help finance park and leisure facility projects.

Expanding beyond parks and leisure: Consider community centres, neighborhood houses, or other non-traditional venues that may offer recreation space and can serve a broader range of needs, helping to reduce the pressure on park and leisure budgets.

Examine approaches to procurement: Different rules apply to procurement across the States and Territories. Feedback during the workshops suggested more attention to this may provide more leverage.

7. Actions

Workshop participants also discussed a series of potential next steps to advocate for further action to assist the developers of sport, park and leisure infrastructure manage rising infrastructure costs. These suggested actions are noted here as part of the discussion raised by workshop participants, noting that they need further consideration and refinement.

Collaborate with the Australian Sports Commission (ASC)

Work with the ASC to;

- contribute to the National Sport Infrastructure Network and the National Sport Infrastructure Action Plan
- Advocate for increased funding to support parks and leisure infrastructure, highlighting the critical need to address rising costs and reduced budgets
- Instigate a review of facility guidelines with NSOs and SSAs to investigate the basis for current facility guidelines, ensuring they are realistic and aligned with the financial realities of park and leisure provision.

Foster Cross-Council Partnerships

Encourage councils to collaborate more closely on infrastructure projects (particularly regional facilities), sharing resources and reducing the overall cost of development.

Promote Modular and Multi-Purpose Designs

Advocate for the adoption of modular construction and multi-purpose facility designs in future developments to achieve greater efficiency and flexibility.

Engage with Non-Traditional Partners

Explore partnerships with schools, universities, and healthcare facilities to share spaces and reduce the financial burden on local governments.

8. Next Steps (for discussion some can be part of the upcoming *conference sessions*)

Collate case studies - Collate examples of facility developments and innovation which have been successful and achieved community benefit.

Explore different management models for sport and leisure facilities and the types of facilities they are most applicable to.

Consider principles of multi purpose design when considering new facilities.

Develop a set of guidelines to help prompt discussions that challenge expectations when planning new facilities.

Explore successful examples of multipurpose design and use for sports pavilions.

Investigate successful procurement examples across the States and Territories where facility outcomes have delivered high value. (Noting that approaches to procurement vary across the Nation.)