

# 2019-20 Quarter 3 Commercial Operations Report

**ITEM 7.1** 05/05/2020  
**The Committee**

**Program Contact:**  
Tom McCready, AD Property & Commercial 8203 7313

**Approving Officer:**  
Ian Hill, Director Growth

2018/03947

Confidential - s 90(3) (b) commercial advantage/prejudice commercial position of council

## EXECUTIVE SUMMARY

Council's Commercial Operations generated a year to date operating surplus of \$19.1m to 31 March 2020.

This result reflected a \$503k unfavourable variance to budget primarily due to the impact of the COVID-19 Pandemic which has seen several Commercial Operations suspend business and / or reduce functions in response to restrictions during this reporting period.

Favourable variances were reflected within the following business operations:

- Commercial Property \$0.426m
- Golf Links \$0.09m.

Unfavourable variances were reflected within the following business operations:

- Aquatic Centre (\$0.04m)
- UPark (\$0.07m)
- Town Hall (\$0.09m).

Council's commercial businesses are no longer able to work towards individual targets to help reduce the impact of the \$1.5m income target.

Consideration in confidence is sought because this report includes the financial and operating performance of Council's commercial businesses, as well as future marketing and pricing strategies which, if made public, could be used by competitors to the detriment of Council.

The following recommendation will be presented to Council on 12 May 2020 for consideration.

### That Council:

1. Notes the 2019-20 Quarter 3 Commercial Operations Report as detailed in Attachment A to Item X on the Agenda for the meeting of the Council on 12 May 2020.
2. In accordance with Section 91(7) & (9) of the *Local Government Act 1999 (SA)* and because Item X [2019-20 Quarter 3 Commercial Operations Report] listed on the Agenda for the meeting of the Council held on 12 May 2020 was received, discussed and considered in confidence pursuant to Section 90(3) (b) of the *Local Government Act 1999 (SA)*, this meeting of the Council do order that:
  - 2.1 The resolution, the report, the discussion and any other associated information submitted to this meeting and the Minutes of this meeting in relation to the matter remain confidential and not available for public inspection until 31 December 2027.
  - 2.2 The confidentiality of the matter be reviewed in December 2021.
  - 2.3 The Chief Executive Officer be delegated the authority to review and revoke all or part of the order herein and directed to present a report containing the Item for which the confidentiality order has been revoked.

## IMPLICATIONS AND FINANCIALS

City of Adelaide 2016-2020 Strategic Plan	<a href="#">Strategic Alignment – Smart</a> 1.2.03 By June 2017, review Council's commercial operations to determine the best management models.
Policy	Not as a result of this report
Consultation	Not as a result of this report
Resource	Not as a result of this report
Risk / Legal / Legislative	Not as a result of this report
Opportunities	Not as a result of this report
19/20 Budget Allocation	Not as a result of this report
Proposed 20/21 Budget Allocation	Not as a result of this report
Life of Project, Service, Initiative or (Expectancy of) Asset	Not as a result of this report
19/20 Budget Reconsideration (if applicable)	Not as a result of this report
Ongoing Costs (eg maintenance cost)	Not as a result of this report
Other Funding Sources	Not as a result of this report

## GROUNDS AND BASIS FOR CONSIDERATION IN CONFIDENCE

### Grounds:

Section 90(3) (b) of the Local Government Act 1999 (SA)

- (b) information the disclosure of which—
- (i) could reasonably be expected to confer a commercial advantage on a person with whom the council is conducting, or proposing to conduct, business, or to prejudice the commercial position of the council; and
  - (ii) would, on balance, be contrary to the public interest;

### Basis:

This Item is confidential as it includes commercial information of a confidential nature where consideration in confidence is sought to protect the commercial position of the council and the operating position of Council's business entities operating in a competitive market place prior to the effective date of 30 June 2020.

The disclosure of information in this report to competitors in advance may be to Council's commercial detriment.

### Public Interest:

The Council is satisfied that the principle that the meeting be conducted in a place open to the public has been outweighed in the circumstances because the disclosure of this information to competitors in advance may be to Council's commercial detriment.

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## DISCUSSION

1. This report is prepared quarterly and provides a summary of the year to date financial and operating performance for Council's business operations as detailed in **Attachment A**.

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## ATTACHMENTS

**Attachment A** – 2019-20 Quarter 3 Commercial Operations Report

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- END OF REPORT -

# Commercial Operations Report 2019-20 Quarter 3

## Attachment A

Confidential Item 7.1 - Attachment A



# Commercial Operations Overview

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Overview	Net Position \$'000	Year to Date			2019-20 Annual Budget
		Actual	Budget	Variance	
UPark					
Aquatic Centre	UPark	11,451	11,520	(70)	15,025
	Aquatic Centre	(474)	(434)	(40)	(602)
North Adelaide Golf Course	North Adelaide Golf Course	(296)	(391)	96	(418)
Town Hall	Adelaide Town Hall	209	306	(97)	401
	Property Services	8,654	8,228	426	10,954
Property Services	Marketing	(309)	(328)	19	(438)
	Business Support	(165)	672	(837)	970
	<b>Total Net Position</b>	<b>19,069</b>	<b>19,573</b>	<b>(503)</b>	<b>25,893</b>

**2019-20 Q3 Performance: Business Operations \$19.1m surplus year to date, (\$503k) unfavourable to budget.** Proposed QF3 adjustments based on current modelling are (\$7.0m), with income adjustments of (\$8.8m) and expenditure savings of \$1.8m.

- UPark \$11.5m surplus, (\$70k) unfavourable to budget.**  
 Favourable variances in the timing of maintenance and property charges \$185k, online bookings \$166k and smaller variances more than offset by casual parking (\$480k). March income was (\$368k) unfavourable to budget, COVID-19 restrictions impacted from 16 March.
- Aquatic Centre (\$474k) deficit, (\$40k) unfavourable to budget**  
 mainly due to savings in employee costs \$138k, savings in internal maintenance \$98k more than offset by reduced income (\$330k). March income was (\$252k) unfavourable, COVID-19 restrictions resulted in closure from 18 March.
- Golf Course (\$296k) deficit, \$96k favourable to budget.** Lower than forecasted income for the North and South Courses (\$43k) and Proshop (\$38k) more than offset by reduced expenditure \$101k and season passes \$27k. March income was (\$3k) unfavourable.
- Adelaide Town Hall \$209k surplus, (\$97k) unfavourable to budget.** Unfavourable variance with the Auditorium (\$83k). March income was (\$53k) unfavourable, COVID-19 restrictions resulted in closure from 18 March.
- Property Services \$8.7m surplus, \$426k favourable to budget**  
 primarily due to property revenue \$358k favourable (Central Market Arcade rental income \$348k). Favourable expenditure \$432k largely offset by internal recoveries (\$364k).
- Business Support (\$837k) unfavourable to budget** due to income target, noting \$1.5m across the full year offset by \$200k allocated from favourable variances across the businesses at Q1. Due to COVID-19 restrictions the target is unlikely to be met.

- Overview
- UPark**
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- North Adelaide Golf Course
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\$'000	2017-18 YTD Actual	2018-19 YTD Actual	2019-20 YTD Actual	2019-20 YTD Budget	2019-20 YTD Budget Variance
Rundle Street	2,884	2,732	2,760	2,794	(34)
Gawler Place	3,347	3,427	3,008	3,011	(4)
Topham Mall	3,951	3,966	4,093	3,996	96
Wyatt Street	3,026	2,958	2,963	3,137	(174)
Light Square	1,124	1,120	1,092	1,134	(42)
Pirie Flinders	1,716	1,749	1,694	1,814	(120)
Grote Street	1,389	1,364	1,358	1,446	(88)
Frome Street	1,289	1,255	1,285	1,261	24
Park Lands Parking	391	456	488	466	22
Central Market Management Fee	337	337	388	335	54
Other	9	6	9	-	9
<b>Total Revenue</b>	<b>19,462</b>	<b>19,368</b>	<b>19,137</b>	<b>19,393</b>	<b>(256)</b>
Employee Costs	(1,441)	(1,500)	(1,552)	(1,492)	(60)
Contractual Services	(960)	(1,025)	(1,071)	(1,151)	80
Internal Charges/Maintenance	(4,208)	(4,490)	(4,614)	(4,799)	185
Other Expenditure	(386)	(393)	(449)	(430)	(18)
<b>Total Expenditure</b>	<b>6,996</b>	<b>7,408</b>	<b>7,686</b>	<b>7,873</b>	<b>187</b>
<b>UPark Profit/(Loss)</b>	<b>12,466</b>	<b>11,960</b>	<b>11,451</b>	<b>11,520</b>	<b>(70)</b>

**Overall \$11.5m Surplus, (\$70k) unfavourable to budget. (Income for March was (\$363k) unfavourable of which (\$351k) was casual) Proposed QF3 adjustments based on current modelling are (\$3.7m), with income adjustments of (\$4.1m) and expenditure savings of \$368k. COVID-19 restrictions impacted from 16 March.**

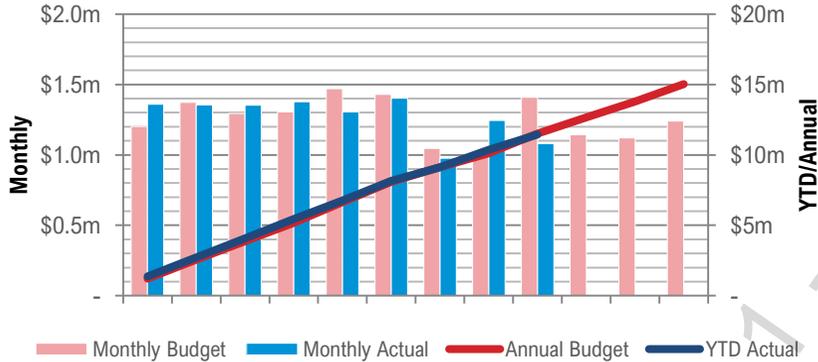
- Topham \$96k primarily due to early bird \$70k and unreserved parking sales \$55k offset by unfavourable casual (\$39k).
- Wyatt Street (\$174k) unfavourable due to casual (\$121k) and early bird (\$67k).
- Pirie Flinders (\$120k) unfavourable mainly due to early bird (\$82k).
- Contractual Services \$80k favourable primarily due to savings in maintenance and security.
- Internal Charges \$185k favourable mainly due to timing of insurance and major maintenance.

**Looking Forward:**

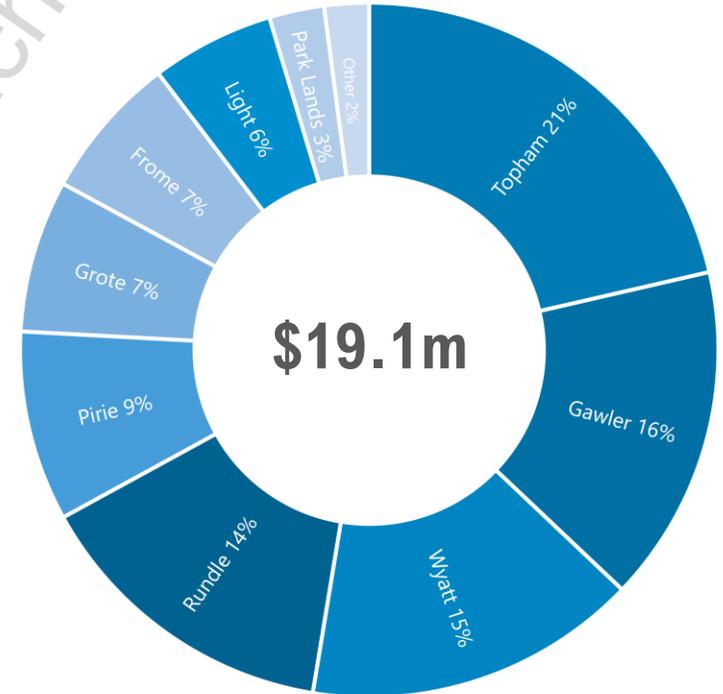
- There have been 5,000 sign ups to the new UPark Plus product, and in excess of 6,000 card holders. This provides the business valuable data on drivers who visit the city regularly. We will use this data to analyse customer behaviour and develop retention strategies which will be implemented as restrictions in the city are lifted.
- UPark have assisted customers with a simple suspension process for monthly parking accounts during COVID-19. To date we have processed 460 suspensions. As restrictions lift we expect to start reinstating these accounts
- There have also been a number of monthly accounts that have negotiated reduced rates during COVID-19. To date we have reduced 80 monthly accounts. As restrictions are lifted we will commence the process of reinstating the prior rate.

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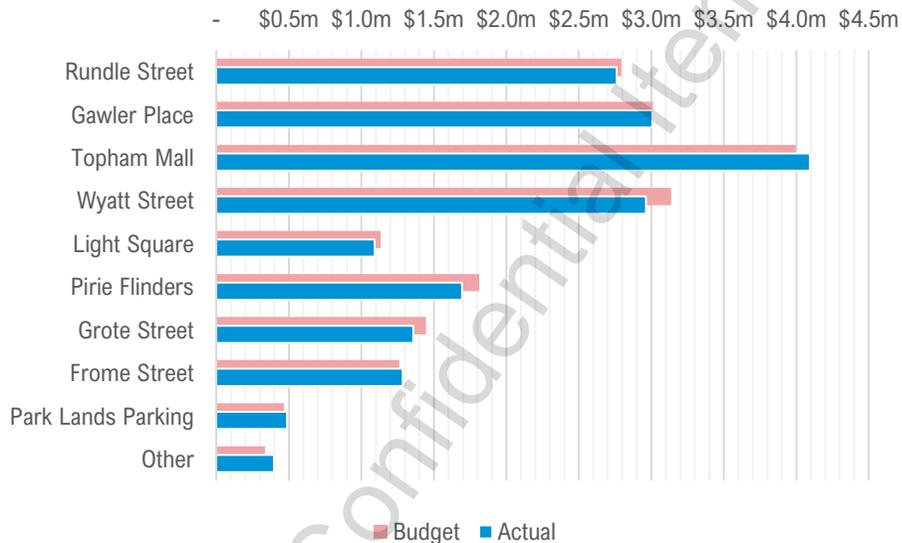
**Surplus to Budget Year to Date**



**Percentage Revenue Contribution Year to Date**



**Revenue to Budget Year to Date**



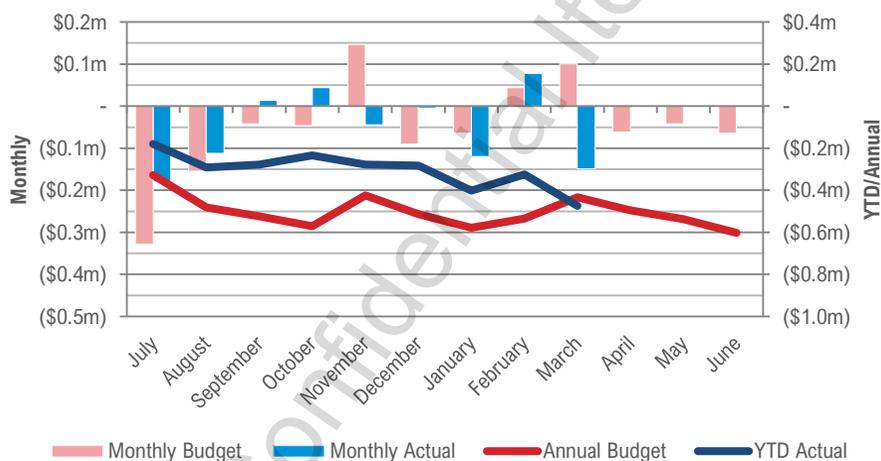
- Overview
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\$'000	2017-18 YTD Actual	2018-19 YTD Actual	2019-20 YTD Actual	2019-20 YTD Budget	2019-20 YTD Budget Variance
<b>Aquatic Centre</b>					
Poolside	1,723	1,774	1,610	1,769	(159)
Swim School	1,278	1,483	1,529	1,556	(27)
Health Club	912	899	892	886	7
Kiosk	700	688	630	725	(95)
Other	317	310	265	321	(55)
<b>Total Revenue</b>	<b>4,929</b>	<b>5,155</b>	<b>4,926</b>	<b>5,256</b>	<b>(330)</b>
Employee Costs	(2,942)	(3,062)	(3,087)	(3,224)	138
Contractual Services	(308)	(279)	(310)	(324)	13
Internal Charges/Maintenance	(442)	(415)	(338)	(436)	98
Utilities/Materials	(1,385)	(1,471)	(1,497)	(1,488)	(9)
Other Expenditure	(164)	(185)	(169)	(218)	49
<b>Total Expenditure</b>	<b>(5,241)</b>	<b>(5,412)</b>	<b>(5,400)</b>	<b>(5,690)</b>	<b>290</b>
<b>Aquatic Centre Profit/(Loss)</b>	<b>(312)</b>	<b>(257)</b>	<b>(474)</b>	<b>(434)</b>	<b>(40)</b>

Year to date (\$474k) deficit, **(\$40k) unfavourable to budget.**

Proposed QF3 adjustments based on current modelling are **(\$571k)**, with income adjustments of **(\$1.5m)** and expenditure savings of **\$965k**. COVID-19 restrictions resulted in closure from 18 March.

- Income (\$330k) unfavourable, was (\$252k) unfavourable for March due to the closure of the centre as a result of Government Health advice.
- Employee Costs \$138k favourable, mainly due to lower casual costs \$133k.
- Internal Charges \$98k favourable due to savings made in facilities maintenance.
- Other Expenditure \$49k due to timing of expenditure on minor equipment.



### Looking Forward:

- Casual costs will continue at zero whilst the centre remains closed due to COVID-19, assumption that this would still remain low when it is time to reopen dependent on the customer demand.
- All expenditure will be kept to a minimum whilst no incoming revenue.
- Centre re-opening date still unknown.
- Fixed employee costs remain with all staff allocated alternative meaningful work at this stage. Staff are currently working in North Adelaide Golf Course, ACMA, Public Realm and UPark.

# North Adelaide Golf Course

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\$'000	2017-18 YTD Actual	2018-19 YTD Actual	2019-20 YTD Actual	2019-20 YTD Budget	2019-20 YTD Budget Variance
<b>Golf Links</b>					
South Course	347	373	420	435	(15)
North Course	90	90	91	121	(29)
Par 3	190	216	264	234	29
Pro Shop	467	445	467	505	(38)
Trade Days	80	76	127	113	14
Other	402	379	407	374	33
<b>Total Revenue</b>	<b>1,577</b>	<b>1,579</b>	<b>1,776</b>	<b>1,781</b>	<b>(5)</b>
Employee Costs	(1,030)	(1,058)	(1,122)	(1,116)	(5)
Contractual Services	(200)	(216)	(219)	(236)	17
Internal Charges/Maintenance	(203)	(212)	(190)	(227)	37
Utilities/Materials	(433)	(368)	(416)	(480)	64
Other Expenditure	(96)	(108)	(125)	(113)	(12)
<b>Total Expenditure</b>	<b>(1,962)</b>	<b>(1,962)</b>	<b>(2,072)</b>	<b>(2,173)</b>	<b>101</b>
<b>Golf Links Profit/(Loss)</b>	<b>(385)</b>	<b>(383)</b>	<b>(296)</b>	<b>(391)</b>	<b>96</b>

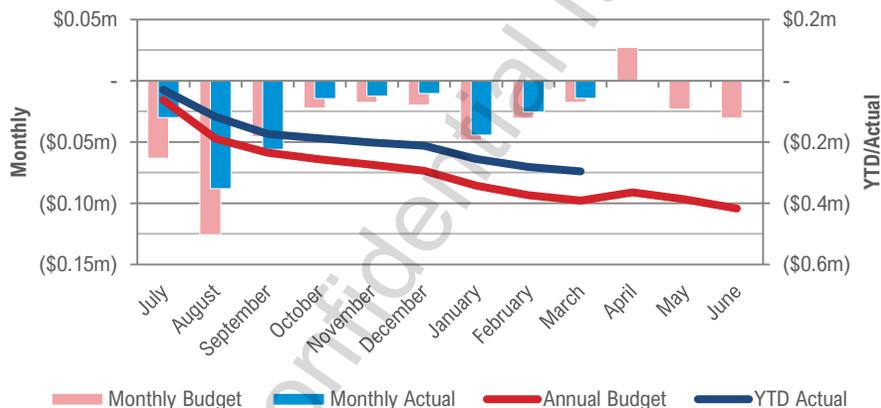
Year to date (\$296k) deficit, **\$96k favourable to budget.**

Proposed QF3 adjustments based on current modelling are (\$239k), with income adjustments of (\$459k) and expenditure savings of \$220k.

- Income (\$5k) unfavourable to budget and 12% higher than prior year. This is primarily due to lower than budgeted income from the South Course (\$15k), North Course (\$29k) and secondary spend in the Pro Shop (\$38k) partly offset by favourable variance for Season Passes \$27k.
- Expenditure \$101k favourable to budget primarily due to ongoing savings and timing variances including materials \$64k and facilities maintenance \$37k.

### Looking Forward:

- New Point of Sale was installed in late April. This should assist in driving increased targeted sales and improved margins in food and beverage
- Closure for most of April will see all income down. Course now reopened and Season Pass sales are achieving reasonable renewal rates. Reduced players per tee time has been implemented to ensure appropriate social distancing. Green fee and Season pass income will be below budget for Q4.
- Food and beverage sales will be well below budget as only take away is being provided upon reopening. In addition there is a limited range of items available and no alcohol is being sold.
- Trade day income is expected to be minimal for the remainder of financial year with significant long term impacts due to event lead time.



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'000	2017-18 YTD Actual	2018-19 YTD Actual	2019-20 YTD Actual	2019-20 YTD Budget	2019-20 YTD Budget Variance
Adelaide Town Hall					
Auditorium	603	646	588	671	(83)
Banqueting Room	120	119	113	104	16
Catering & AV Commissions	263	260	241	236	27
Other	65	63	3	(2)	67
<b>Total Revenue</b>	<b>1,051</b>	<b>1,089</b>	<b>944</b>	<b>1,009</b>	<b>(65)</b>
Employee Costs	(233)	(259)	(310)	(312)	2
Contractual Services	(326)	(332)	(399)	(361)	(38)
Internal Charges/Maintenance	41	28	29	18	23
Utilities/Materials	(3)	(2)	(1)	(3)	1
Other Expenditure	(42)	(50)	(55)	(45)	(10)
<b>Total Expenditure</b>	<b>(563)</b>	<b>(614)</b>	<b>(736)</b>	<b>(703)</b>	<b>(32)</b>
<b>Adelaide Town Hall Profit/(Loss)</b>	<b>488</b>	<b>475</b>	<b>209</b>	<b>306</b>	<b>(97)</b>

**Year to date \$209k surplus, (\$97k) unfavourable to budget.**  
**Proposed QF3 adjustments based on current modelling are (\$181k), with income adjustments of (\$319k) and expenditure savings of \$138k.**

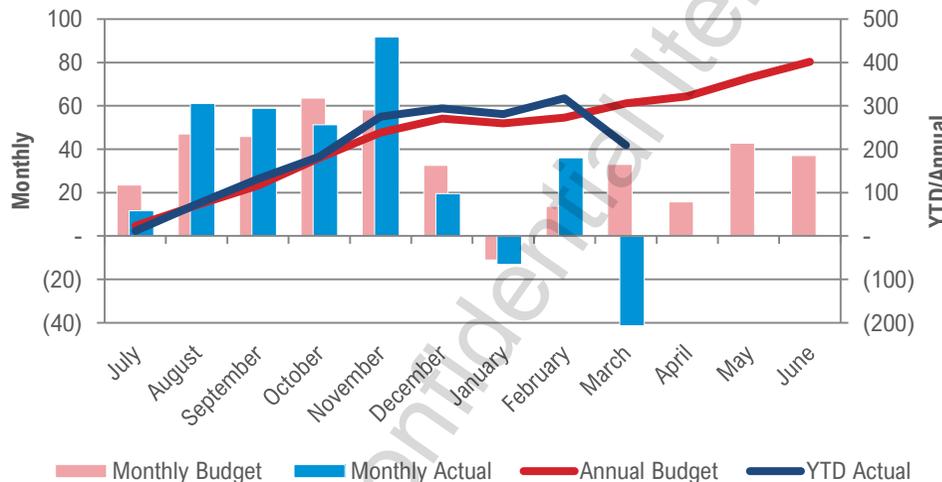
- Income (\$65k) unfavourable, mainly due to unfavourable variance with the Auditorium (\$83k). March income was (\$53k) unfavourable to budget due to the closure of Town Hall as a result of Government Health advice.
- Expenditure (\$32k) unfavourable mainly due to temporary lighting solution (\$41K) in Auditorium in Feb/March while Town Hall achieved structural certification for Auditorium lighting bars.

**Community Activation Fund:**

- \$150k annual budget. YTD \$61K was provided to encourage and support 19 organisations to host events at the Adelaide Town Hall.
- Q3 Highlights include Women in Economics Network event, ENDIA Symposium Dinner - University of Adelaide, Fringe 60<sup>th</sup> Gala and Australian Academy of Science Conference Dinner.

**Looking Forward**

- Marketing Focus:** Focus on marketing approach to generate and secure future bookings and revenue for 2021 calendar year. Community Activation Fund continues to be promoted through social channels. Sales collateral to be finalised ready for re-opening of Town Hall. Review of Community Activation Fund.
- Forward Auditorium Bookings:** All events scheduled in April – June have been postponed or cancelled due to the closure of the Town Hall. Forecasted revenue for these scheduled Auditorium events is \$130K.
- April – June 2020 Performing Arts Bookings:** 18 concerts booked for the period by our key music hirers cancelled as a result of COVID-19. Forecasted revenue for the cancelled concerts is \$75K.



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## Town Hall Events held in Quarter 3



### Community Event Highlights:

- Free lunch-time City of Adelaide Organ Concert
- Australia Day Citizenship Ceremony
- 5 Community Activation Fund events, including Adelaide Fringe 60<sup>th</sup> Anniversary Gala, ENDIA Symposium Dinner and Creative Partnerships Australia Seminar
- 30 Adelaide Fringe 2020 bookings by Garage International
- 9 Live Music Rehearsals
- 5 Reconciliation Room bookings

### Key Music Events:

8 key music partner concerts commence the 2020 Concert Season for the Musica Viva, Adelaide Festival and the Adelaide Symphony Orchestra.

### Commercial Event Highlights:

- 7 Gala Dinners/Balls including Australian Academy of Science Dinner, Walford School Formal, Cabra School Formal in Auditorium and 4 dinners in the Banqueting Room.
- Santos Town Hall event
- 1 School Presentation –2019 International Baccalaureate Awards
- 1 Graduation Ceremony for Le Cordon Bleu.
- 10 Banqueting Room events including The Australia Institute Seminar, Specialised Assistance School Youth Graduation, Phil Hoffmann Travel Exhibition, National Australia Bank Employee Forum, Department for Correctional Services Merit Awards.
- 3 Wedding Receptions and 3 Wedding Ceremonies

### Events Cancelled Due to COVID-19:

- 17 events cancelled or postponed due to COVID-19 and the temporary closure of the Adelaide Town Hall. Forecasted revenue for the cancelled or postponed events scheduled to be held in February/March 2020 was **\$120,517.30**.

# Property Services

Overview
UPark
Aquatic Centre
North Adelaide Golf Course
Town Hall
<b>Property Services</b>

\$'000	2017-18 YTD Actual	2018-19 YTD Actual	2019-20 YTD Actual	2019-20 YTD Budget	2019-20 YTD Budget Variance
<b>Property Services</b>					
Property Revenue	5,471	6,952	8,677	8,318	358
Internal Recoveries	7,790	8,217	8,281	8,645	(364)
<b>Total Revenue</b>	<b>13,261</b>	<b>15,170</b>	<b>16,958</b>	<b>16,964</b>	<b>(6)</b>
Resource Costs	(577)	(483)	(748)	(776)	28
Contractual Services	(4,144)	(4,255)	(4,427)	(4,518)	92
Utilities/Materials	(1,767)	(2,197)	(2,143)	(2,378)	235
Internal Charges/Maintenance	-	-	-	-	-
Other Expenditure	(994)	(1,160)	(986)	(1,062)	77
<b>Total Expenditure</b>	<b>(7,482)</b>	<b>(8,095)</b>	<b>(8,303)</b>	<b>(8,735)</b>	<b>432</b>
<b>Property Services Profit/(Loss)</b>	<b>5,779</b>	<b>7,075</b>	<b>8,654</b>	<b>8,228</b>	<b>426</b>

**Overall \$8.7m Surplus, \$0.4m favourable to budget.**

**Proposed QF3 adjustments based on current modelling are (\$2.4m) to income with no adjustment to expenditure.**

- **Revenue** (\$6k) unfavourable. Property income \$358k favourable primarily due to Central Market Arcade \$348k. Internal recoveries (\$364k) unfavourable including internal outgoings (\$251k) and internal rent (\$80k).
- **Expense** \$432k favourable primarily due to electricity expense \$192k, water \$77k and timing of expenditure in the CMA Marketing Fund.

### Looking Forward:

#### Central Market Arcade:

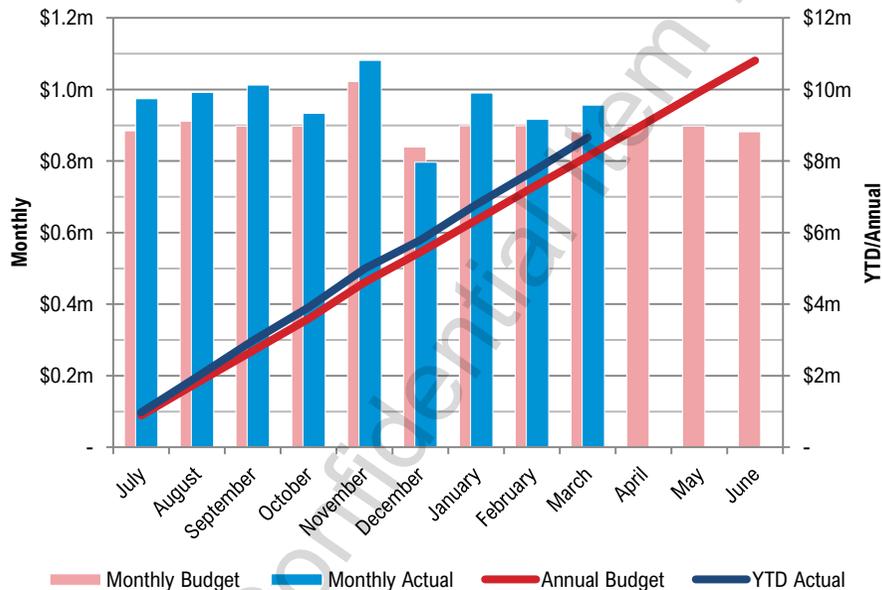
- Re-development – ICD Property secured as project development partner. Retail delivery strategy progressing and design development underway to support lodgement of a development application in mid-2020.
- Currently three vacancies with one shop under negotiation.
- Sunday trading launched 22 March. Trial until June in conjunction with the Central Market.
- Marketing – Easter marketing campaign launched through social media, the website and in the Arcade (signage and the display cases) highlighting several retailers who promote the Easter theme.

#### Property Investigations:

- Strategic Property Review endorsed by Council on 14 April.
- 88 O'Connell St – Stage 3 contractual negotiations and design progressing with preferred proponent.

#### Community & Park Land Leases

- Adelaide Park Lands Leasing and Licencing Policy: Comments from APLA and amendments to the Policy are being considered. Report to APLA/Committee to be considered mid-2020.



## Report to be presented to Council in Confidence

All reports in this section will be presented to Council on 12 May 2020 for consideration and determination

### Strategic Alignment – Smart

#### 7. Confidential Item 7.1 - 2019-20 Quarter 3 Commercial Operations Report [2018/03947] [TC]

Clare Mockler, Deputy CEO & Director Culture, City of Adelaide responded to a question from Committee Members.

That in accordance with Section 91(7) & (9) of the *Local Government Act 1999 (SA)* and because Item 7.1 [2019-20 Quarter 3 Commercial Operations Report] listed on the Agenda for the meeting of The Committee held on 5 May 2020 was received, discussed and considered in confidence pursuant to Section 90(3) (b) of the *Local Government Act 1999 (SA)*, this meeting of The Committee do order that:

1. The resolution, the report, the discussion and any other associated information submitted to this meeting and the Minutes of this meeting in relation to the matter remain confidential and not available for public inspection until 31 December 2027.
2. The confidentiality of the matter be reviewed in December 2021.
3. The Chief Executive Officer be delegated the authority to review and revoke all or part of the order herein and directed to present a report containing the Item for which the confidentiality order has been revoked.