

Adelaide Aquatic Centre - Strategic Options Analysis Workshop

Confidential

PROGRAM: Property and Commercial

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A BEAUTIFUL
DIVERSE CITY
WITH AN
ENVIABLE
LIFESTYLE THAT IS
WELCOMING TO
PEOPLE AT ALL
STAGES OF LIFE



LIVEABLE

THE GROUNDS:

Section 90 (3) (b) and (d) of the Local Government Act 1999 [commercial advantage/prejudice commercial position of council/commercial information of a confidential nature]

(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;

(d) commercial information of a confidential nature (not being a trade secret) the disclosure of which which—

- i. could reasonably be expected to prejudice the commercial position of the person who supplied the information, or to confer a commercial advantage on a third party; and
- ii. would, on balance, be contrary to the public interest;

THE BASIS:

This item is commercial information of a confidential nature where confidence consideration 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. Disclosure of this information to competitors may be to Council's commercial detriment.

THE PUBLIC INTEREST:

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

CURRENT STATUS

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The Adelaide Aquatic Centre closed on 18 March 2020 due to the Covid-19 pandemic:

- Casual Staff have been stood down and full time/part time staff have been re-allocated to other parts of the corporation in the interim. All possible expenditure was halted and as such 4-6 weeks lead time is required to reopen AAC.
- COVID-19 conditions as at 9 June only allowed for 80 patrons in the centre. 20 in each of the 3 pools allowing only 20 customers in other areas such as the Gym, entry/access pathways and reception;
- The restrictions in place did not allow for the return of a majority of services / activities, nor did it permit significant visitation to assist in improving the financial position of the centre;
- It is estimated that a level of business normality will not be achieved until late September / early October 2020, just as Adelaide comes out of winter and enters into spring and warmer weather;
- Large volume of cancellations from Members and Swim School enrolments were received in March prior to closure, these have long term impacts on revenue. Reduced Swim and Gym memberships are forecast across the year due to these cancellations and continued drop in demand;
- Restrictions continue to dictate smaller and less frequent Swim School classes due to social distancing;
- Casual visitation during peak operating periods Nov-Feb may continue to be reduced due to social distancing restrictions;
- Large proportion of operating expenditure is fixed, i.e. labour to meet compliance requirements regarding supervision, plant/equipment maintenance and utility costs;
- On 12 June (last Friday) further reductions in restrictions were announced as well as a confirmation that Stage 3 Restrictions will commence on 29 June. Adequate details to forecast the impacts of these changes are not currently available however broadly the narrative provided indicates it will have positive impacts on financial viability.

FY20/21 OPERATIONAL OPTIONS

- 4 scenarios have been forecast to compare financial outcomes associated;
- Each scenario is based on the same underlying assumptions regarding the impacts of COVID-19 on operations;
- Forecasting COVID-19 restrictions including the timing, details and impacts on operations is challenging. As a result financial projections have a high level of potential variance which will be removed over time as the Government confirms more details and SAPOL releases their directions;
- When projecting the options it was clear that:
 - The most financially viable option based on the assumptions provided is for AAC to remain closed;
 - Should Council wish to provide continuity of service and open, Council should expect to incur further unfavourable variances to budget.
- To assist in showing the various financial outcomes 4 scenarios in the following slide include 2 where the centre opens and 2 where the centre remains closed
- For context the following operating deficits were expected:
 - FY19/20 pre-COVID-19 budget c\$800k;
 - Draft FY20/21 pre-COVID-19 budget c\$500k.

FY20/21 OPERATIONAL OPTIONS

Operation Status	FY20/21 (unfavourable variance to budget)	Service Impacts
<ul style="list-style-type: none"> Open Immediately Maximum allowable service provision 	<u>\$3.2m*</u>	<ul style="list-style-type: none"> Limited services as dictated by the current and future COVID-19 restrictions When a service is able to be delivered safely it would become available
<ul style="list-style-type: none"> Delay Opening Open based on financial viability 	<u>\$2.8m*</u>	<ul style="list-style-type: none"> Services dictated by future COVID-19 restrictions Opening would be timed to ensure the financial impact is reduced as far as possible. Opening would likely occur between August and October This option is currently budgeted
<ul style="list-style-type: none"> Remain closed Retain fixed staff for FY20/21 	<u>\$2.17m*</u>	<ul style="list-style-type: none"> Centre would remain closed for the duration of FY20/21 Workforce would be redeployed within CoA
<ul style="list-style-type: none"> Remain closed Stand down all staff 	<u>\$1.88m</u> <ul style="list-style-type: none"> \$575k deficit \$1.3m redundancy 	<ul style="list-style-type: none"> Centre would remain closed for the duration of FY20/21 Majority of staff would be made redundant

* Redundancy costs (c\$1.3m) may be incurred as a result of future redevelopment/replacement.

QUESTIONS

Confidential Minute 5 - Item 6.2 - Tabled Document