

2021-22 Quarter 1 Confidential Commercial Operations Report

ITEM 12.2.4 09/11/2021
Council

2021/00850

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

Program Contact:

Shaun Coulls, Acting Associate Director, Strategic Property & Commercial

Approving Officer:

Tom McCready, Acting Director City Shaping

EXECUTIVE SUMMARY

Council's commercial operations during the first quarter of 2021/22 generated an operating surplus of \$7.7m which was (\$0.2m) unfavourable to budget. The (\$0.2m) variance comprised of unfavourable results in Parking (includes On-Street and UPark) of (\$0.9m) and Town Hall (\$0.1m) partially offset by favourable variances in Property of \$0.5m, Aquatic Centre \$0.2m and Golf \$0.2m.

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.

RECOMMENDATION

THAT COUNCIL

1. Notes the 2021-22 Quarter 1 Confidential Commercial Operations Report as detailed in Attachment A to Item 12.2.4 on the Agenda for the meeting of the Council held on 9 November 2021.
2. In accordance with Section 91(7) & (9) of the *Local Government Act 1999 (SA)* and because Item 12.2.4 [2021-22 Quarter 1 Confidential Commercial Operations Report] listed on the Agenda for the meeting of the Council held on 9 November 2021 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 2028.
 - 2.2 The confidentiality of the matter be reviewed in December 2022.
 - 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part of the order herein and directed to present a report containing the Item for which the confidentiality order has been revoked.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 2020-2024 Strategic Plan	Strategic Alignment – Enabling Priorities Council has the financial capacity to meet its long-term commitments
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	All commercial business are transitioning out of COVID-19 and all performance projections are reliant on stable and/or improved COVID19 related restriction
Opportunities	Not as a result of this report
21/22 Budget Allocation	Not as a result of this report
Proposed 22/23 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
21/22 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 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 prior to the effective date of 30 September 2021.

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.

DISCUSSION

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

ATTACHMENTS

Attachment A – 2021-22 Quarter 1 Confidential Commercial Operations Report

- END OF REPORT -

Attachment A – 2021-22 Quarter 1 Confidential Commercial Operations Report

Confidential Item 12.2.4 - Attachment A



CITY OF
ADELAIDE

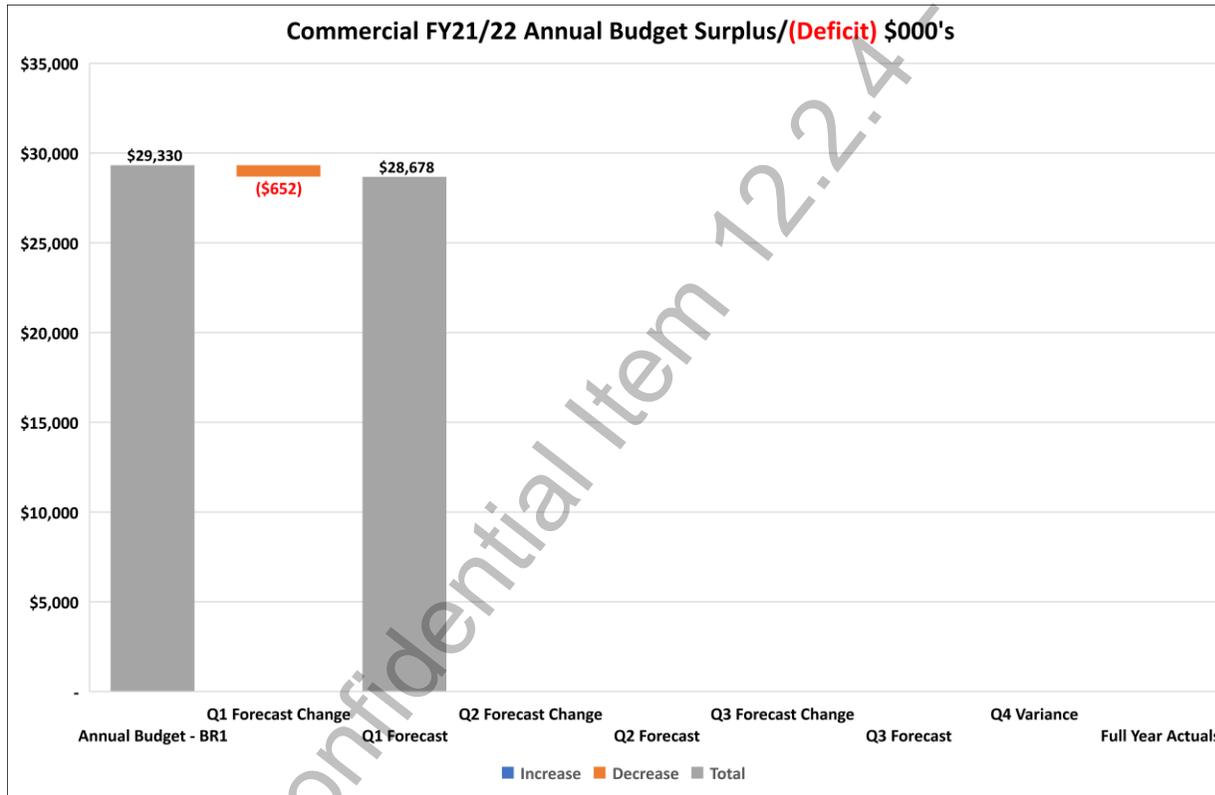
Commercial Operations Overview

Overview
Parking
Aquatic Centre
North Adelaide Golf Course
Town Hall
Property Services

\$'000	Year To Date			Prior YTD Actuals		Annual Budget	Full Year Forecast
	Actual	Budget	Variance	2019/20	2020/21		
Parking	6,563	7,473	(910)	7,122	5,728	27,199	26,361
Aquatic Centre	(200)	(385)	185	(289)	(545)	(928)	(716)
North Adelaide Golf Course	37	(135)	171	(187)	121	(333)	(209)
Adelaide Town Hall	(31)	48	(78)	119	(57)	(259)	(409)
Property Services	1,378	908	470	2,979	2,787	3,651	3,651
Program Teams Net Position	7,747	7,910	(163)	9,745	8,034	29,330	28,678

YTD \$7.7m Surplus, (\$0.2m) unfavourable to budget.

- Parking revenue during Q1 was impacted by the July lockdown.
- Adelaide Town Hall still impacted by COVID restrictions.
- All other businesses performing better than budget.
- Year end forecasted to be (\$0.7m) unfavourable to budget mainly due to revenue target in Parking.



Note: All budget figures in this report include BR1 adjustments and exclude depreciation.

Parking (On-Street & UPark)

Overview

Parking

Aquatic Centre

North Adelaide
Golf Course

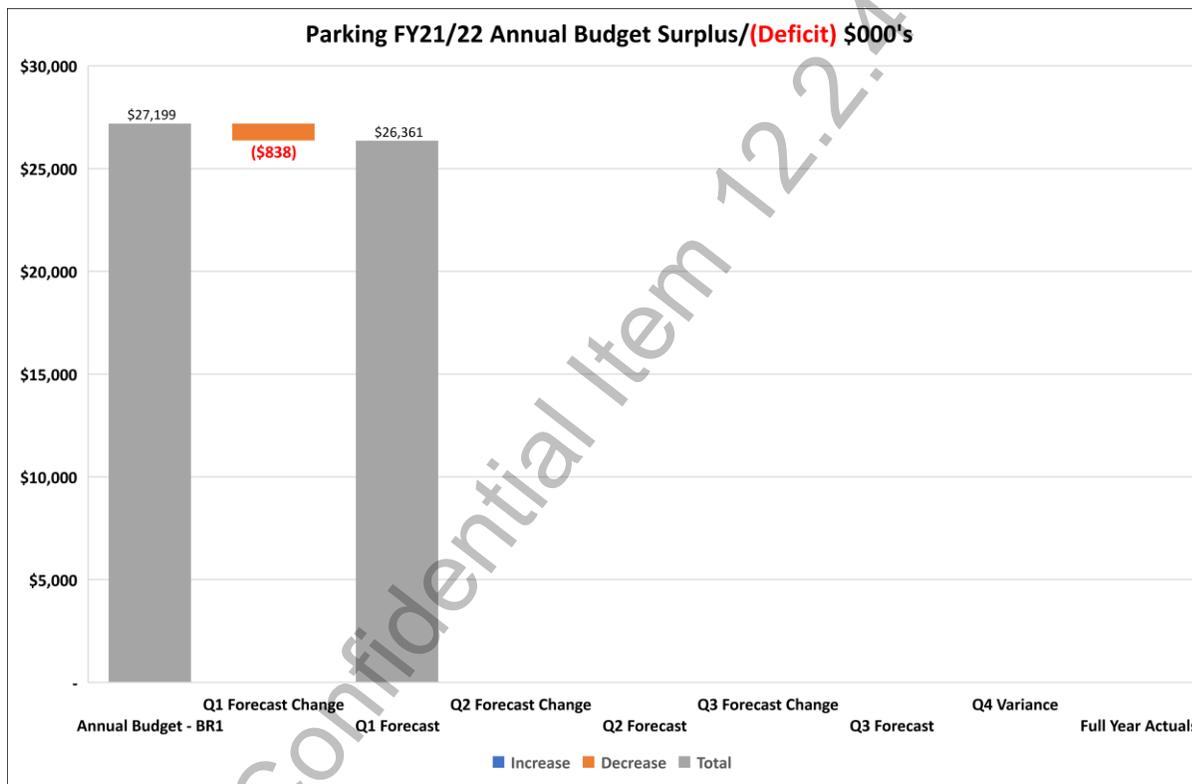
Town Hall

Property Services

\$'000	Full Year Results			Prior Year Actuals		Annual Budget	Full Year Forecast
	Actual	Budget	Variance	2019/20	2020/21		
Operations Income	9,729	10,632	(903)	11,189	9,239	39,705	38,935
Resource Costs	(495)	(548)	53	(834)	(561)	(1,948)	(1,940)
Contractual Services (Excl Contract Labour)	(603)	(706)	103	(693)	(549)	(2,264)	(2,280)
Materials	(15)	(34)	19	(35)	(59)	(118)	(118)
Internal Charges	(1,766)	(1,656)	(110)	(2,181)	(1,994)	(7,308)	(7,308)
Other Expenditure	(287)	(216)	(72)	(324)	(348)	(869)	(929)
Operations Expenditure	(3,166)	(3,159)	(7)	(4,067)	(3,511)	(12,506)	(12,574)
Operations Net Position	6,563	7,473	(910)	7,122	5,728	27,199	26,361

YTD \$6.6m Surplus, (\$0.9m) unfavourable to budget.

- Parking revenue during Q1 was impacted by the July lockdown.
- Q1 revenue better than last year but below two years ago.
- Forecasted to finish the year (\$838k) below budget which is mostly due to revenue target of (\$930k).



On-Street Parking

Overview

Parking

Aquatic Centre

North Adelaide
Golf Course

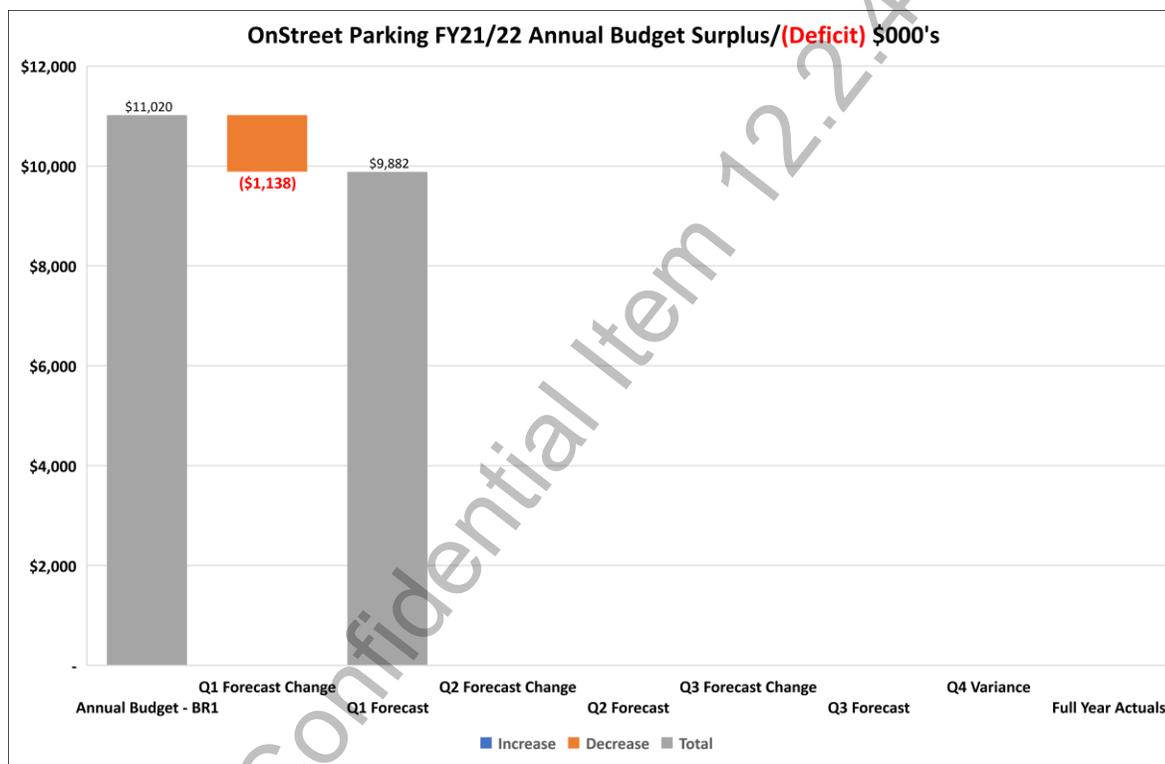
Town Hall

Property Services

\$'000	Full Year Results			Prior Year Actuals		Annual Budget	Full Year Forecast
	Actual	Budget	Variance	2019/20	2020/21		
Operations Income	2,713	3,086	(373)	3,104	2,796	11,782	10,712
Resource Costs	(24)	(26)	3	(236)	(181)	(115)	(106)
Contractual Services (Excl Contract Labour)	(204)	(219)	15	(218)	(198)	(325)	(341)
Materials	(1)	(20)	19	(18)	(21)	(78)	(78)
Internal Charges	(11)	(5)	(6)	(12)	(3)	(21)	(21)
Other Expenditure	(78)	(48)	(30)	(146)	(103)	(224)	(284)
Operations Expenditure	(317)	(318)	1	(630)	(506)	(763)	(830)
Operations Net Position	2,396	2,768	(372)	2,474	2,290	11,020	9,882

YTD \$2.4m Surplus, (\$372k) unfavourable to budget.

- Revenue for Q1 was impacted by the July lockdown.
- Forecast to be (\$1,138k) unfavourable to budget at year end due to revenue target (\$930k) and impacts of July lockdown.



Glossary (On-Street KPIs, next slide)

Transaction Value Total: Revenue received for the quarter from ticket machines and Park Adelaide app.

Payment Transactions: The number of transactions for the quarter.

Average Transaction Value: Revenue divided by the number of transactions.

Average Value/Income Per Space: Total revenue for the quarter divided by the number of bays.

On-Street Parking KPIs

Overview

Parking

Aquatic Centre

North Adelaide
Golf Course

Town Hall

Property Services

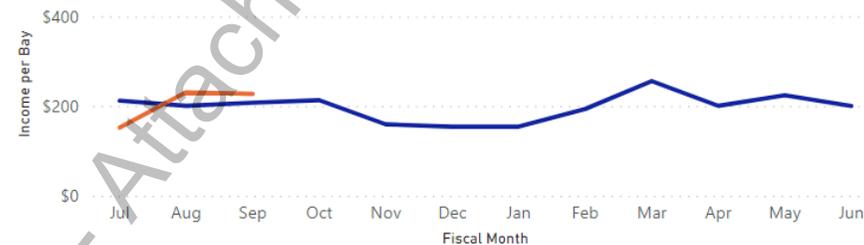
All Day Paid

465 Bays

	2021/22 QF1	2020/21 QF1
Revenue Total	\$ 283,319	\$ 287,934
Payment Transactions	22,765	23,410
Average Transaction Value	\$ 12.45	\$ 12.30
Average value/income per Space	\$ 203	\$ 206

Income per Bay Paid - All Day

FiscalYear ● 2020/21 ● 2021/22



Paid - Zone 1

1,189 Bays

	2021/22 QF1	2020/21 QF1
Revenue Total	\$ 1,519,081	\$ 1,541,822
Payment Transactions	290,303	307,936
Average Transaction Value	\$ 5.23	\$ 5.01
Ave value/income per Space/Month	\$ 426	\$ 432

Income per Bay Paid - Zone 1

FiscalYear ● 2020/21 ● 2021/22



Paid - Zone 2

1,097 Bays

	2021/22 QF1	2020/21 QF1
Revenue Total	\$ 1,120,229	\$ 1,132,855
Payment Transactions	207,072	220,465
Average Transaction Value	\$ 5.41	\$ 5.14
Average value/income per Space	\$ 340	\$ 344

Income per Bay Paid - Zone 2

FiscalYear ● 2020/21 ● 2021/22



UPark

Overview

Parking

Aquatic Centre

North Adelaide
Golf Course

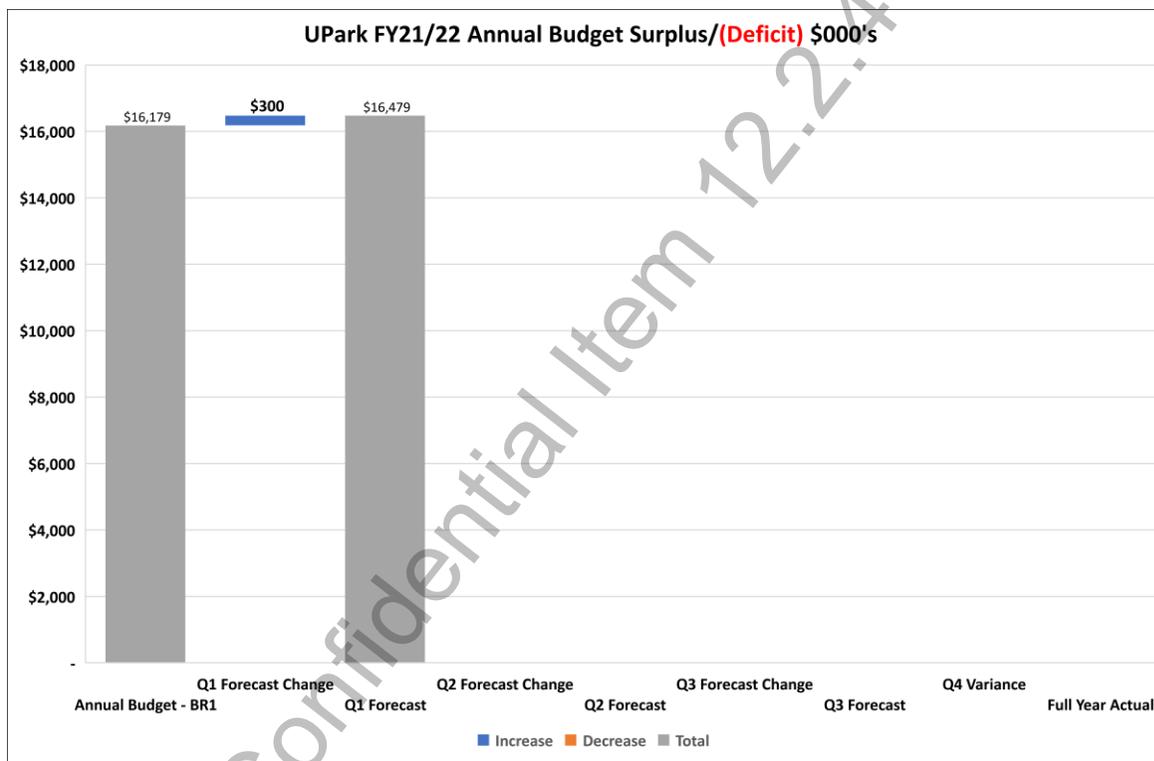
Town Hall

Property Services

\$'000	Year To Date			Prior YTD Actuals		Annual Budget	Full Year Forecast
	Actual	Budget	Variance	2019/20	2020/21		
Operations Income	7,015	7,546	(531)	8,085	6,443	27,923	28,223
Resource Costs	(471)	(521)	50	(598)	(380)	(1,833)	(1,833)
Contractual Services (Excl Contract Labour)	(399)	(487)	88	(475)	(350)	(1,939)	(1,939)
Materials	(14)	(14)	0	(16)	(39)	(40)	(40)
Internal Charges	(1,755)	(1,651)	(105)	(2,169)	(1,991)	(7,287)	(7,287)
Other Expenditure	(209)	(167)	(42)	(178)	(245)	(645)	(645)
Operations Expenditure	(2,849)	(2,841)	(8)	(3,436)	(3,005)	(11,744)	(11,744)
Operations Net Position	4,167	4,705	(538)	4,649	3,438	16,179	16,479

YTD \$4.2m Surplus, (\$0.5m) unfavourable to budget.

- Results include Central Market UPark.
- Revenue for Q1 was impacted by the July lockdown and Royal Show not proceeding.
- Except for lockdown period car parks performed better than budget and prior years.
- Forecast to recover Q1 budget variance throughout the rest of the year and finish \$300k better than budget.



UPark - Update

Overview

Parking

Aquatic Centre

North Adelaide
Golf Course

Town Hall

Property Services

Recent Achievements

- UPark Andrew St opened in August 2021 to support the Market Precinct during the upcoming Central Market Arcade Development. UPark Andrew is a 127-space open air car park and the first UPark to have License Plate Recognition Technology installed. This is enabling UPark to review usage and performance of the technology prior to rollout to all UParks as part of the Car Park Management System Replacement during 21/22 and 22/23.
- Customer acquisition, retention and recovery promotions have commenced using UPark Plus functionality released in June 2021. Promotions have been directed at lesser performing carparks. At the end of September these promotions were generating in the vicinity of \$700 per day in revenue.
- UPark and ACMA partnered to promote the sign up to UPark Plus for Market Lovers who wanted to retain first hour free parking when visiting Adelaide Central Market. From 1 July a fee of \$2 has been applied for the first hour at the gate. As of 30 September, 3,997 Market Lovers had signed up to UPark Plus.
- Transitioning of existing monthly account customers to UPark Plus has continued, with the last car park UPark Wyatt due for cutover on 1 November.
- UPark have made finalists in two categories in the upcoming Parking Australia Awards for Excellence: UPark Plus for Outstanding Customer Service and UPark's Business Development Coordinator Ranveer Singh for Young Parking Achiever.

Upcoming Quick Wins

- Ongoing refresh and rebrand of internal car park painting and signage.
- Park Land event Not the Royal Adelaide Show commenced late September and will continue into October. The event will generate revenue to partially offset revenue impact of cancellation of Royal Adelaide Show.

UPark Road Map

- UPark Car Park Management System Replacement (CPMS) tenders under evaluation with replacement to occur across all nine car parks during the 21/22 and 22/23 financial year. This upgrade will not only replace the current aged asset, but new technology will significantly improve the customer experience. The new CPMS will be the foundation which will enable interoperability with desired functionality in the future such as validation or on street parking applications.

COVID Impacts

- During the Lockdown in late July car park patronage dropped 90% for the lockdown period, which has been consistent through previous lockdowns. Immediately following the safe, touch free parking benefit of UPark Plus was promoted to both new and existing customers. Patronage has steadily increased and now exceeds pre lockdown numbers. It is anticipated any further lockdowns will result in a similar impact.

UPark – Q1 Performance

Overview

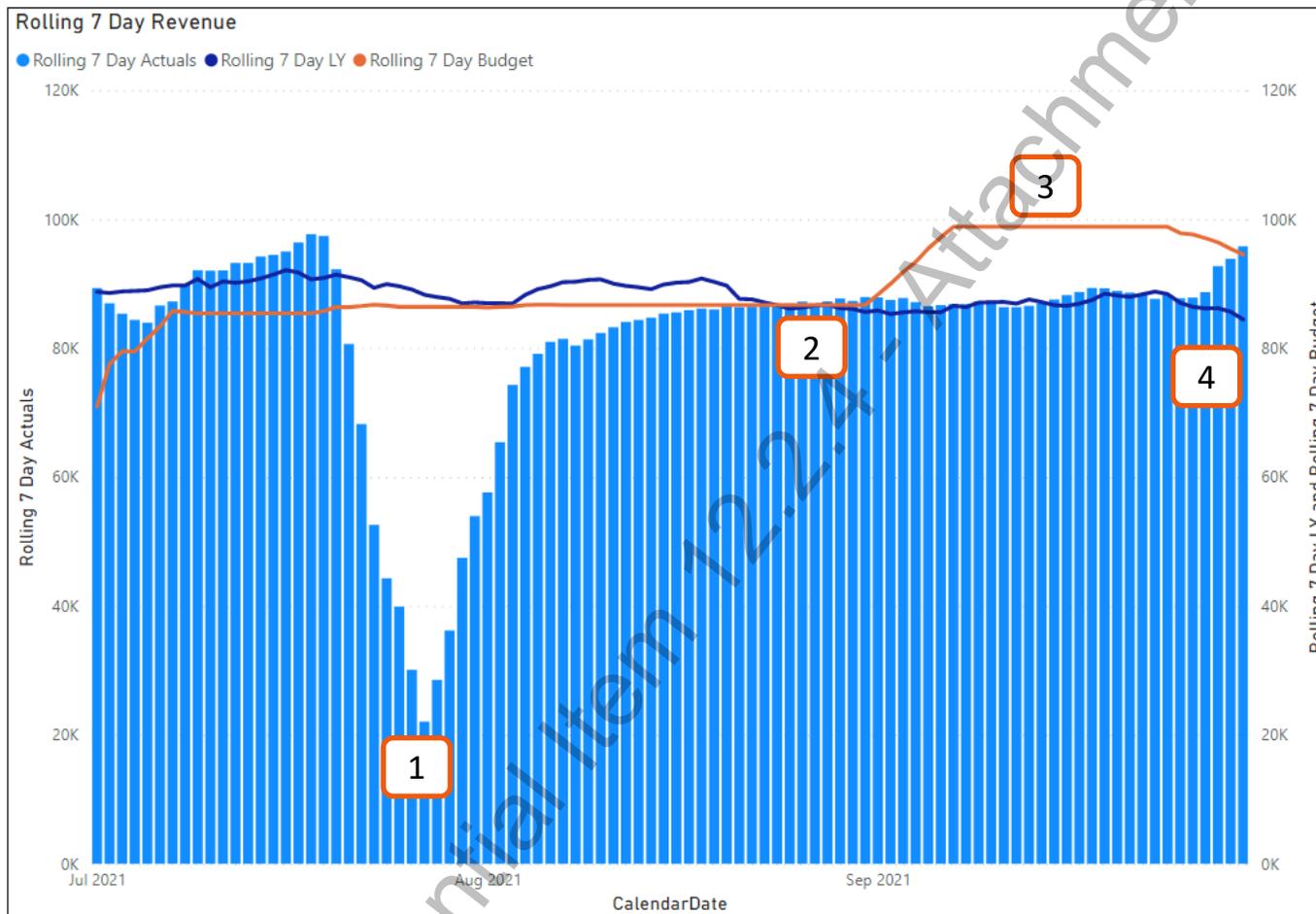
Parking

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Property Services



Key

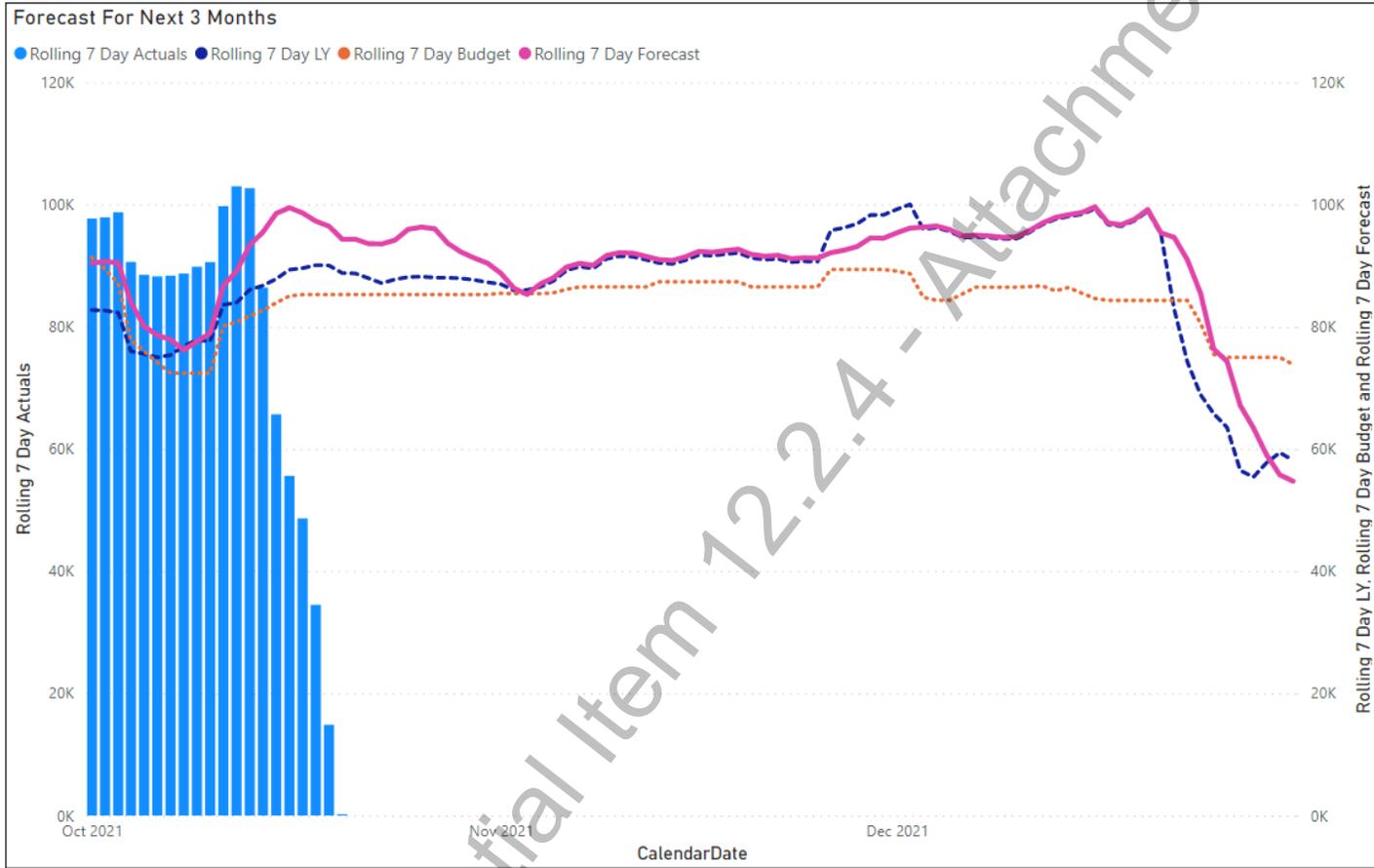
1. July 7 day lockdown.
2. Increase in UPark Plus capped price at Pirie.
3. Budget for Adelaide Royal Show which did not go ahead.
4. Start of school holidays and “Not The Royal Show” Park Lands event.

Note: Graph includes Central Market UPark & Park Lands.

- Revenue was outperforming July budget and two years ago until the 7 day lockdown.
- Recovery did not reach pre-lockdown levels immediately following the easing of restrictions.
- In September the Royal Show did not take place which had been budgeted for.
- At the end of September “Not The Royal Show” event opened which had not been budgeted for.

UPark – Revenue forecast Q2 2021/22

- Overview
- Parking**
- Aquatic Centre
- North Adelaide Golf Course
- Town Hall
- Property Services



- The chart shows revenue forecast for Q2 2021/22 against budget and the same time two years ago (pre-COVID).
- School holiday performance during the beginning of October has been strong helped by “Not The Royal Show” event in the Park Lands.
- Expectation is that performance will exceed two years ago and budget for October.
- From November onwards it is expected performance will be similar to two years ago except for the Black Friday period at the end of November which is expected to be less beneficial than two years ago.

Aquatic Centre

Overview

Parking

Aquatic Centre

North Adelaide
Golf Course

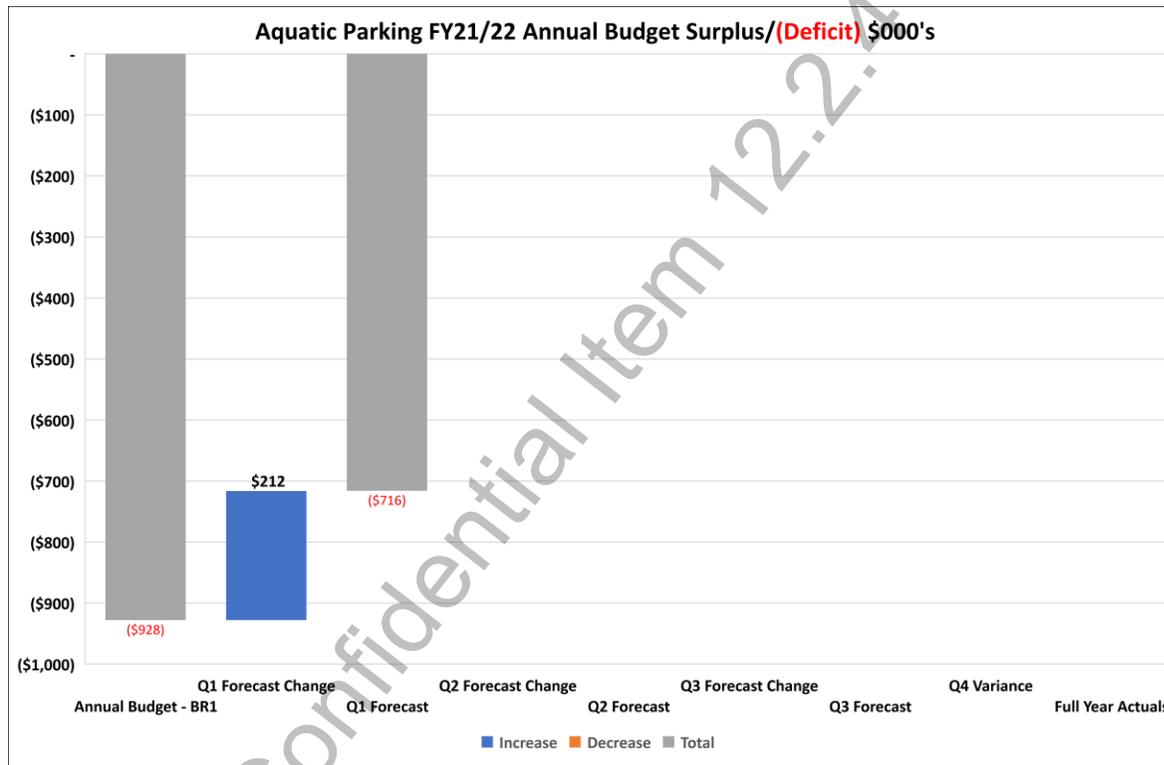
Town Hall

Property Services

\$'000	Year To Date			Prior YTD Actuals		Annual Budget	Full Year Forecast
	Actual	Budget	Variance	2019/20	2020/21		
Operations Income	1,287	1,452	(165)	1,571	599	6,103	6,371
Resource Costs	(856)	(949)	93	(1,067)	(589)	(3,936)	(3,942)
Contractual Services (Excl Contract Labour)	(109)	(142)	33	(137)	(98)	(479)	(479)
Materials	(410)	(534)	124	(523)	(268)	(1,796)	(1,846)
Internal Charges	(68)	(142)	74	(87)	(152)	(593)	(593)
Other Expenditure	(44)	(70)	25	(45)	(38)	(226)	(226)
Operations Expenditure	(1,487)	(1,836)	350	(1,860)	(1,143)	(7,030)	(7,086)
Operations Net Position	(200)	(385)	185	(289)	(545)	(928)	(716)

Overall (\$0.2m) Deficit, \$0.2m favourable to budget.

- Aquatic Centre revenue behind budget due to July lockdown, however participant numbers in Swim School and Health Club have since and continue to increase.
- Due to this expected increase in Swim School participation, poolside and secondary spend, revenue is forecast to be favourable by year end \$0.3m offset by associated expenses (\$0.1m).
- Utility expenses \$0.1m and Employee expenses \$0.1m are contributing to the favourable budget.
- Full year forecasted to be \$212k better than budget.



Aquatic Centre - Update

Overview

Parking

Aquatic Centre

North Adelaide
Golf Course

Town Hall

Property Services

Recent achievements:

- Swim School demand has seen numbers reach upwards of 2700 participants. This represents a 14% increase on actual enrolments during the same period in FY19/20

Update:

Memberships:

- Membership numbers are holding to budget. Expected uplift during the summer period

Patronage:

- Casual patronage remains slightly down month on month compared to prior years

Looking Forward:

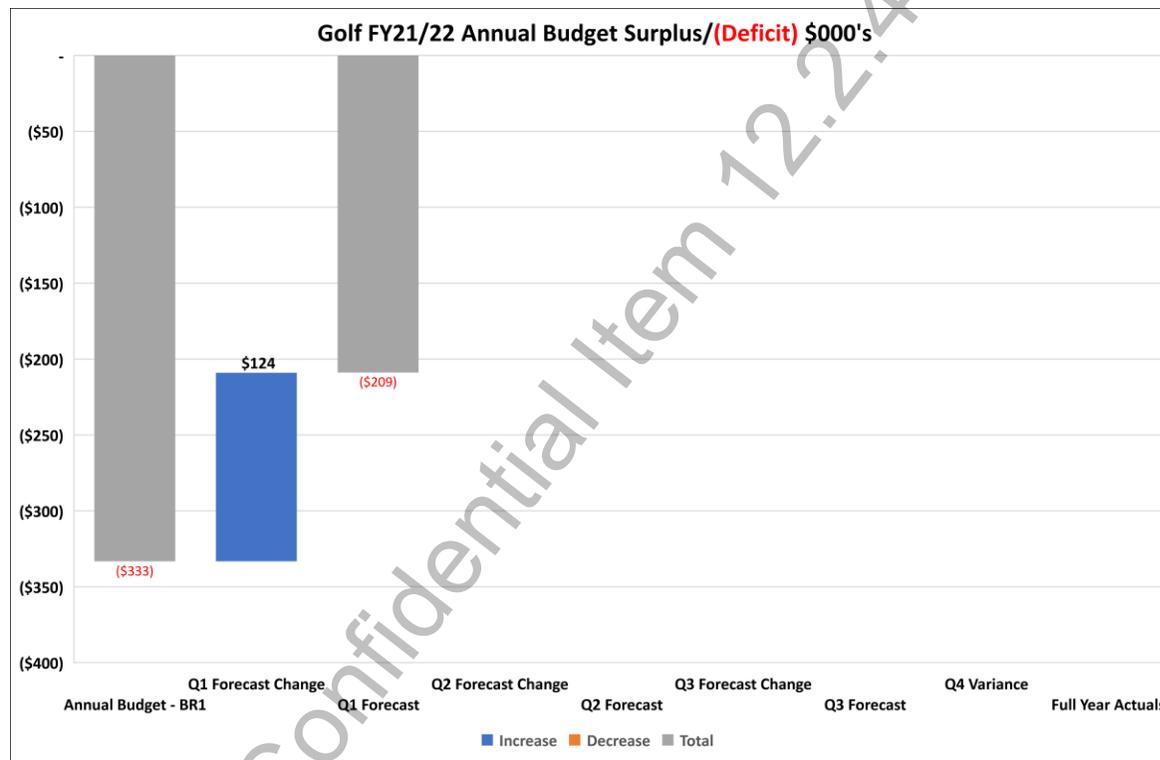
- Swim School set to resume operational activities three weeks earlier during January
- Scheduled capital expenditure - lane rope renewal for 50m pool and pin loaded gym equipment in transit
- Facilitate activities that tie in to Wellbeing Month and Christmas in the City
- Upgrade Point of Sale system to improve service efficiency and customer experience including online booking capabilities

North Adelaide Golf Course

	\$'000	Year To Date			Prior YTD Actuals		Annual Budget	Full Year Forecast
		Actual	Budget	Variance	2019/20	2020/21		
Operations Income		723	541	182	469	671	2,518	2,646
Resource Costs		(397)	(392)	(5)	(383)	(317)	(1,584)	(1,584)
Contractual Services (Excl Contract Labour)		(66)	(63)	(2)	(60)	(47)	(310)	(310)
Materials		(117)	(103)	(14)	(85)	(102)	(567)	(571)
Internal Charges		(50)	(57)	7	(80)	(52)	(242)	(242)
Other Expenditure		(57)	(62)	5	(49)	(33)	(149)	(149)
Operations Expenditure		(687)	(676)	(11)	(656)	(550)	(2,851)	(2,855)
Operations Net Position		37	(135)	171	(187)	121	(333)	(209)

YTD \$37k Surplus, \$171k favourable to budget.

- Golf continues to see strong demand with round numbers remaining high.
- Investment in the North Course has seen round numbers grow on previous year.
- There has been a small reduction in rounds at South Course and Par 3 however most of the COVID gains have been held.
- Year end forecast is a deficit of (\$209k) which is \$124k favourable to budget.



North Adelaide Golf Course - Update

Overview

Parking

Aquatic Centre

North Adelaide
Golf Course

Town Hall

Property Services

Recent Achievements

- North Course signage updated providing a short and long course option.
- Finalisation of first stage of automated irrigation on North Course so the new 'Short' course is fully irrigated. Backed by increased maintenance this has resulted in significant improvement to the course quality and increasing round numbers.
- Par 3 kitchen and internal upgrade finalised with uplift in Par 3 rounds and secondary spend expected to flow into the 2nd quarter and beyond.
- Finalisation of Corporate and Groups promotional materials which has resulted in additional bookings heading into summer.

Upcoming Quick Wins

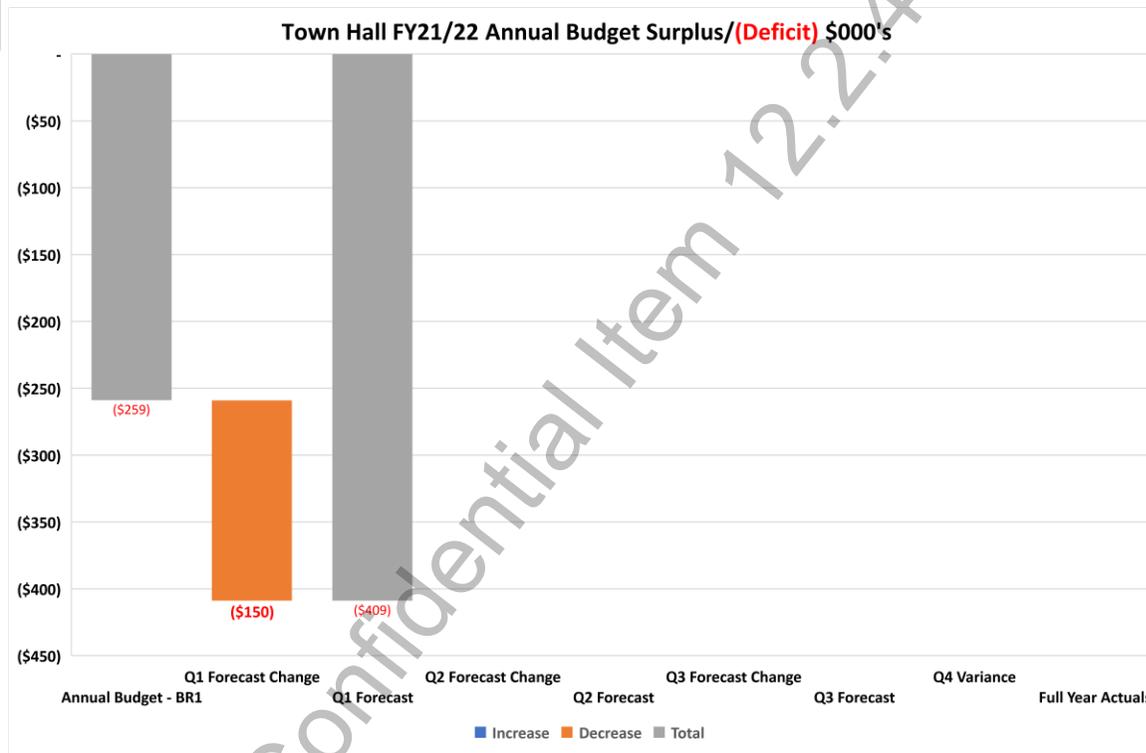
- Upgrade to Par 3 external look/functionality being finalised to complement internal upgrades.
- Increased focus on group coaching which will improve engagement with community and enhance golf participation. This will result in flow on to rounds and Season Pass holder growth.
- Improvements on the South Course to the first tee presentation, 6th green and approach replacement and 11th fairway lengthening which will further enhance course appeal, speed of play and increase round numbers.
- Installation of public lockers for golf bags/clubs which will enhance attractiveness of the course to visitors to Adelaide and Season Pass holders.

Town Hall

Overview	\$'000	Year To Date			Prior YTD Actuals		Adopted Budget	Full Year Forecast
		Actual	Budget	Variance	2019/20	2020/21		
UPark	Operations Income	117	329	(212)	364	34	684	427
	Resource Costs	(87)	(114)	27	(110)	(53)	(440)	(403)
Aquatic Centre	Contractual Services (Excl Contract Labour)	(51)	(137)	85	(121)	(31)	(402)	(353)
	Materials	(5)	(12)	7	(0)	-	(49)	(28)
North Adelaide Golf Course	Internal Charges	10	2	7	6	5	29	29
	Other Expenditure	(14)	(20)	6	(19)	(13)	(80)	(80)
Town Hall	Operations Expenditure	(148)	(281)	133	(244)	(91)	(943)	(836)
	Operations Net Position	(31)	48	(78)	119	(57)	(259)	(409)

Year to date (\$31k) deficit, (\$78k) unfavourable to budget.

- Budget revenue assumptions were optimistic, the recovery from COVID has been slower than anticipated and some restrictions remain in place.
- The increased forecast deficit reflects the ongoing impact of COVID.



Town Hall – Update

Overview

UPark

Aquatic Centre

North Adelaide
Golf Course

Town Hall

Property Services

Achievements

- An interim contract with caterer Blanco is now in place following the previous caterer Adelaide Venue Management's exit at short notice. Under the new agreement City of Adelaide enjoys a **10% commission on all catering income**.
- Council approved a **new operating model** including the City of Adelaide managing all bookings at the Adelaide Town Hall venue to allow greater community use and activation whilst meeting revenue targets and maintaining it as a prestigious venue in Adelaide.
- Council approved the **removal of venue hire fees for the Mankurri-api Kuu / Reconciliation Room**, which will be a focus for the celebration of Aboriginal and Torres Strait Islander cultures and reconciliation initiatives
- Council has approved negotiations to introduce a music home company who will work from the Adelaide Town Hall and will increase connection and collaboration with the cultural sector, showcasing the venue as a flagship for the **Adelaide UNESCO City of Music** designation.

Outlook

- In spite of the July lockdown, the first three months of 21-22 are an **improvement on the prior year**. External room hire has more than trebled, internal income is in line with the prior year and commissions are up recognising income from the new Blanco agreement.
- The State Government is currently preparing for border openings in December. This signals further easing of restrictions and density caps, enabling greater certainty for venues and events to return to pre-covid conditions.
- However, in the short term, the risk of outbreaks and potentially lockdowns may increase; and given the typically older demographic of the Town Hall patrons, uncertainty remains for Town Hall revenues in the second half of the year.

Town Hall – Q1 Events

Overview

UPark

Aquatic Centre

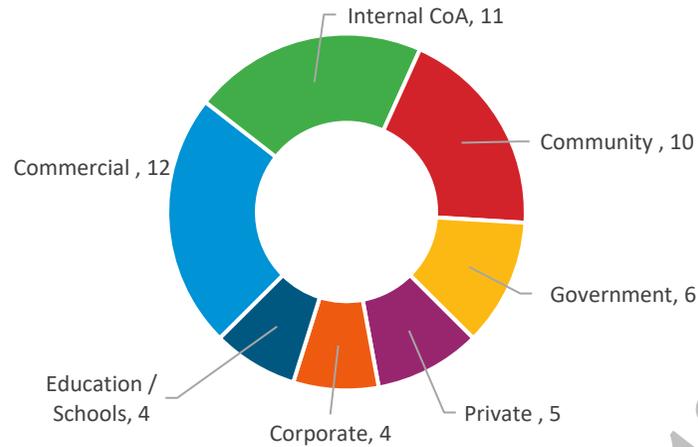
North Adelaide
Golf Course

Town Hall

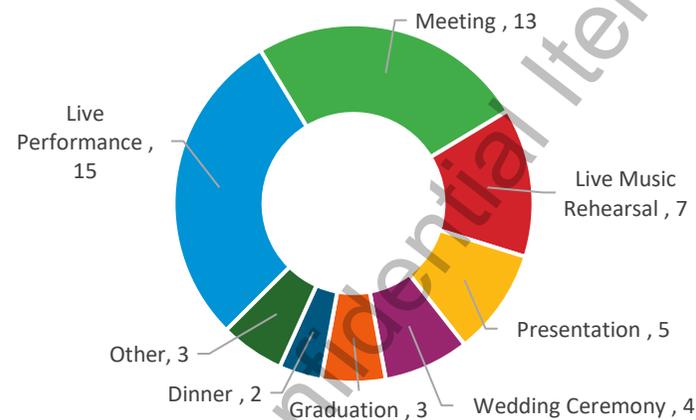
Property Services

Town Hall Events held in Quarter 1

Event numbers by Classification



Event numbers by Event Type



Live Performances presented by:

- Adelaide Symphony Orchestra
- Candlelight Concerts presented by Vivaldi Four Seasons including a Fever Candlelight Ballet: Tchaikovsky's Swan Lake
- Adelaide Youth Orchestra
- Musica Viva
- St Aloysius School Spring Concert
- Live Music Rehearsals supported by the Live Music Action Plan

Other event highlights:

- Lord Mayor's NAIDOC Luncheon
- Kidney Transplant, Diabetes and Cancer Research Gala Dinner raised more than \$56,000 for medical research.
- Ultimate Success State Awards Dinner
- Launch of the National Pharmacies Christmas Pageant

Town Hall – Q1 Utilisation

Overview

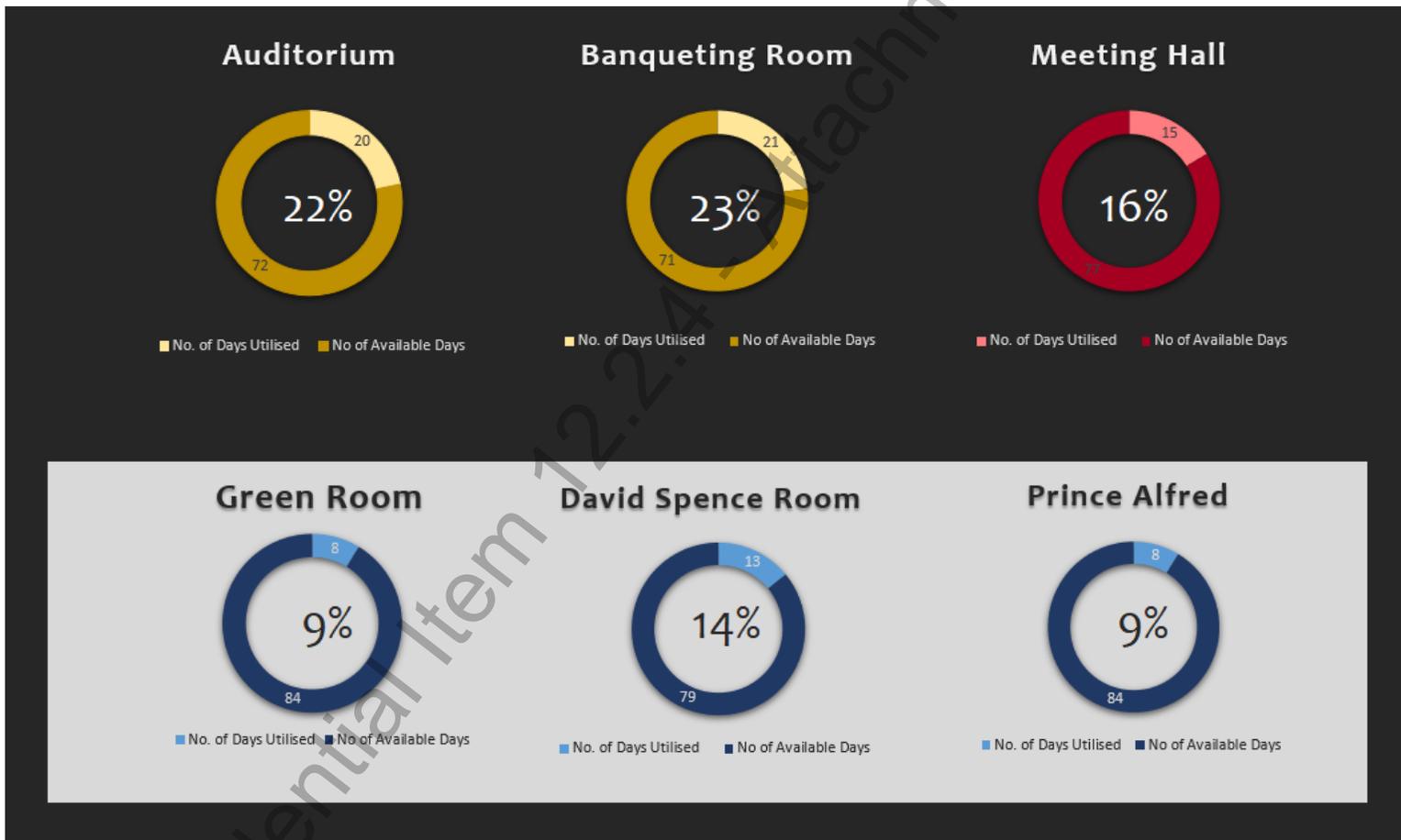
UPark

Aquatic Centre

North Adelaide Golf Course

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Property Services



Property Services

Overview
Parking
Aquatic Centre
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\$'000	Year to Date			Prior Year Actuals		Adopted Budget	Full Year Forecast
	Actual	Budget	Variance	2019/20	2020/21		
Operations Income	1,878	1,732	146	2,928	2,683	6,081	6,081
Resource Costs	(121)	(120)	(1)	(267)	(226)	(523)	(523)
Contractual Services (Excl Contract Labour)	(1,924)	(2,005)	81	(1,466)	(1,487)	(7,093)	(7,093)
Materials	(347)	(565)	218	(749)	(542)	(2,595)	(2,595)
Internal Charges	2,181	2,161	20	2,853	2,708	8,982	8,982
Other Expenditure	(289)	(296)	6	(319)	(348)	(1,202)	(1,202)
Operations Expenditure	(500)	(824)	324	52	104	(2,430)	(2,430)
Operations Net Position	1,378	908	470	2,979	2,787	3,651	3,651

YTD \$1.4m Surplus, \$470k favourable to budget.

- Rental income favourable due to on-going revenue being better than anticipated.
- Variance in Contractual Services include lower than budgeted Legal and Consultant expenses which is predominately timing related.
- Variance in Materials is primarily due to lower than budgeted seasonal water and electricity expenses.
- Debt collection remains a key activity requiring resource focus as tenants continue to operate in challenging market conditions. Commercial debtors over 60 days are 9.2% of annual revenue (March 2020 2.7%).
- Full year is forecasted to be on budget.

