

Edwardstown Soldiers Memorial Recreation Ground - Future Management Model

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Report Reference GC210511F03

Confidential ☒

Confidential Motion

That pursuant to Section 90(2) and (3)(b)(i) and (ii) of the Local Government Act 1999, the Council orders that all persons present, with the exception of the following persons: Chief Executive Officer, General Manager City Development, General Manager Corporate Services, General Manager City Services, Manager Corporate Governance, Manager City Property, Unit Manager Sport and Recreational Community Facilities, Unit Manager Land & Property, Unit Manager Communications, Unit Manager Governance and Council Support, Manager Finance and Governance Officer, be excluded from the meeting as the Council receives and considers information relating to Edwardstown Future Management Model, upon the basis that the Council is satisfied that the requirement for the meeting to be conducted in a place open to the public has been outweighed by the need to keep consideration of the matter confidential given the information relates to a profit share model and a current Confidential order is in place over previous reports, attachments and minutes to which this report relates.

REPORT OBJECTIVE

For Council to consider a shared club-based future management model for the Edwardstown Soldiers Memorial Recreation Ground (ESMRG).

EXECUTIVE SUMMARY

The ESMRG has provided both Council and the Clubs a number of challenges since the new facility was opened in April 2019. The formation of a single facility to cater for football, bowls, cricket, cycling, triathlon and community groups under a community board was well intentioned and considered, however was ultimately unsuccessful within the first year of operation. Council undertook the management of the facility from February 2020 providing centralised support for bookings, beverage management, catering and maintenance, with the Clubs operating areas of the facility with volunteers. This model provided improved support and services to the Clubs, however the past 12-months under Council management have nevertheless proven problematic due to:

- The impacts of Covid-19 on the sports and facility.
- The implementation of an overly generous dividend model agreement for Clubs.
- Subsequent issues stemming from the continuation of the dividend agreement beyond a Council resolution.
- A subsequent Council resolution to change to a 100% profit share model that has not been supported by Clubs.

Unfortunately, this has meant that the Clubs have not had a consistent operating model for the last 2-years and have not had the opportunity to enjoy and maximise the benefits from the facility. Conversely, Council has had almost two-years of ongoing issues and challenges stemming from the facility, instead of being in a position to celebrate positive outcomes from its investment into a significant sport and community project.

In order to address the ongoing challenges from this facility, consideration has been given to the development of a model that can provide both the Clubs and Council the desired outcomes. This report is proposing a transition to a shared club-based management model that provides Clubs a large amount of independence and control for their operations with the ability to generate returns from their use of the facility, whilst only being responsible for the costs relating to their use. This model also provides an opportunity for Council to provide community access to the facility with management of the Community Room and other areas outside of Club leases.

RECOMMENDATION

That Council:

1. Endorse the proposed future management and operational model for the Edwardstown Soldiers Memorial Recreation Ground (ESMRG) to commence from 1 July 2021 in which:
 - Clubs are provided a lease or licence to manage and operate area/s of the facility for periods of use.
 - Clubs can generate and retain revenues from their use of the facility and will be responsible for the expenses related to their use of the facility.
 - Council will be responsible for the management and operation of the unallocated areas and times outside of Clubs' licensed use and will be responsible for its share of the operating costs and retain its income from its use of the facility.
 - Clubs and Council will share responsibility proportionately for common spaces and associated expenditure based on their licensed times and space.
 - Council recognises there will be a net cost to Council for the facility operations.
2. Endorse Administration to work with the five ESMRG Clubs (Edwardstown Football Club, Edwardstown Bowls Club, South Road Cricket Club, South Coast Cycling, Meteors Triathlon) to implement the new management model.
3. Allocate up to \$40,000 in 2021-22 financial year for a Facility Manager to assist with the transition to the new management model from July 2021 and manage the Council spaces in the facility.
4. Allocate up to \$25,000 per annum (indexed) to support resource costs to manage the utilisation of the Council spaces at the facility from July 2022.
5. Endorse the revised 100 percent profit share model continuing from 1 July 2021 up to 30 September 2021 to allow for a transition period that may extend beyond 1 July.
6. Endorse the necessary physical and operational changes to the facility to enable the implementation of the new management model.
7. Notes a future report will be provided on the status of implementation of the new management model.
8. In accordance with Section 91(7) and (9) of the Local Government Act 1999, orders that the report, attachments and any minutes arising from this report having been considered in confidence under Section 90 (2) and (3) (b)(i) and (ii) and (g) of the Act, except when required to effect or comply with Council's resolution(s) regarding this matter, be kept confidential and not available for public inspection for a period of 12 months from the date of this meeting. This confidentiality order will be reviewed at the General Council Meeting in December 2021.

DISCUSSION

Club-Based Management Model Principles

In order to address the ongoing issues with the operation of the ESMRG facility, it is being proposed that Council moves to a club-based management model. Under this model Clubs would have the opportunity to lease or license spaces for set periods of time where they can operate with a degree of independence. The principles of the model are as follows:

- Establish a lease or license with the Clubs for exclusive use times for the facility.
- The Clubs operate their licensed space during their licensed times.
- The Clubs receive the profits from their use of their licensed space, including operating a bar and kitchen, if applicable.
- The Clubs pay for the operational costs in full for their licensed space (rent, utilities, cleaning, security, repairs and maintenance, staffing and cost of goods).
- Clubs can manage most of their facility cost areas (contracting and payment), including some of the cleaning, repairs and maintenance, utilities, bar and canteen stock/goods, staffing.

- Clubs are not financially impacted by costs incurred outside of their own usage times.
- Clubs and Council will share the cost for common areas, plant and equipment based on percentage of usage of the facility.
- Clubs receive the 93% rental subsidy in line with the Leasing and Licensing Policy.
- Clubs not wanting exclusive use of the function spaces, bars or catering areas can opt for a Hire or License agreement for the grounds.
- Council would manage the use of the facility areas outside of the leases and licences.
- Council can generate revenues from its use of those spaces and is responsible for the costs for those spaces and times outside the leases and licences

Indicatively, the structure of the leases, licences and use of the facility is as follows:

Football

- Function rooms 2 & 3 (upstairs), bars, catering option, toilets, change rooms, storage and canteen.
- March/April to September/October exclusive use.

Bowls

- Function room 1 (downstairs), community room (3-days a week for 6-months), toilets.
- 12-months exclusive use.

Cricket

- Function Room 3 or Community Room (1 day a week for 6-months), toilets, change room, canteen, storage
- October to March.

Cycling & Triathlon

- May not require exclusive use of space and prefer a grounds licence, access to storage and toilets with casual hire of the facility.

Refer to Attachment 1 for summary.

Model Benefits

The benefits of implementing this new model are:

- Providing Clubs a level of independence enabling them to control their operations and outcomes from the new facility more akin to the way other Council sporting facilities operate.
- Providing financial returns (and a net position after facility expenses) to the Clubs that is forecast to exceed the amounts in the initial financial model adopted by Council for the new ESMRG facility.
- Enables Council to significantly reduce its annual operating investment into the facility.
- Helps remove Council from the coalface issues that arise from overseeing the operations of the Clubs use of the facility.
- Enables the Council to provide community access to the facility beyond the use of the sporting clubs.

Facility Utilisation

The ESMRG is a well utilised sports and community facility.

The grounds are very well utilised (oval and velodrome) all year round with additional demand being requested by football for the summer season that may not be able to be accommodated due to the use of cricket, cycling and triathlon.

The facility is also well utilised by the sporting clubs and commercial user groups.

Under the new model, the Bowls Club has already indicated it would like exclusive use of the downstairs area (including partial use of the Community Room) for the entire year, the Football Club would have exclusive use of the upstairs areas for 6-months of the year, the Cricket Club may opt to utilise a space for 6-months of the year, and the commercial user groups (HITSA and SEDA College) have midweek daytime use of the upstairs areas, including kitchen, for most of the year.

Under the proposed model, the Clubs would be incentivised to maximise utilisation of their leased or licensed spaces for two key reasons:

1. They are able to generate and retain all of the revenues from their leased/licensed use of the facility, and
2. They will have a commitment for the costs of their lease/licensed times.

Outside of the Club and commercial leases and licenses, the Council will have an opportunity to drive utilisation of areas to provide opportunities for community access to the facility. At the Elected Members Planning Day on 30 January 2021, it was noted that the purpose of the ESMRG was to provide for 75% sporting use and 25% community use. In order for Council to maximise these community opportunities an investment is required into appropriate resourcing to coordinate bookings and oversee operational use.

It is proposed that for the 2021-22 financial year the current full-time Facility Manager maintains a role to support the facility operations during the transition phase to the new management model and then continues in a reduced capacity to drive the utilisation of the spaces and times outside the Club and commercial leases/licenses. The direct wage expense for the ESMRG is estimated to cost up to \$40,000 for 2021-22, noting that the remaining Facility Manager wage costs will be shared across The Cove Sports & Community Centre (CSCC) and potentially Mitchell Park Sports & Community Centre (MPSCC). The Facility Manager currently oversees the Cove Sports and Community Club (CSCC) and may do so up until January 2022 if that facility transitions to a new lease with the Cove Football and Cricket Clubs. The existing Facility Manager could support the transition to the new MPSCC from October 2021 should Council elect to adopt a Council managed model for that facility. Refer to Table 1 below for potential Facility Manager time allocation across the facilities during transition phases.

It is proposed that Council allocate an amount of up to \$25,000 per annum towards resource costs to drive activity at the ESMRG from 1 July 2022, which could be part of a Facility Manager role across venues.

It is recognised that Council's future role at the CSCC and MPSCC, and any subsequent resource allocation, is subject to a further decision by Council.

Table 1 - Facility Manager Time and Wage Allocation

	July 2021	October 2021	January 2022	July 2022	December 2022
ESMRG	75%	25%	20%	20%	20%
CSCC	25%	25%	0%	0%	0%
MPSCC	0%	50%	80%	80%	80%

Consultation & Transition Process

Should Council support the proposed model, Administration will need to immediately enter into discussions with the five ESMRG Clubs to provide the details of the model and its effect on the Clubs operations and use of the facility. Given this is also potentially crossing over with final negotiations for the 100% profit share model (as per the resolutions from the GC210427 meeting) it is likely that agreements with Clubs for the new model could take between 8-12 weeks to finalise. This takes into consideration the time to arrange meetings to discuss the model, address any issues raised by Clubs, further consultation, develop new agreements, and provide Clubs time to formally consider the changes at Committee/Board level.

With the start of negotiations commencing mid-late May, agreements may not be finalised until mid-late August. Further, there are both physical and operational changes that are required to enable the new management model to be implemented (refer to Attachment 2), and whilst some of these changes can occur whilst new agreements are being resolved, others should not, or may not be able to occur until after a final agreement has been confirmed (such as new liquor licenses). This may further extend the time frame for when Clubs could commence operating under a new model.

As such, a positive and pre-emptive solution is required to address the revenues Clubs will make from food and beverage from 1 July 2021 until the new agreements and facility changes are in place.

Football would be the main Club impacted by a lack of agreement from operating sales post July 1, as their season extends from 1 April through to the end of September with the months of July, August and September generating in excess of \$75,000 from beverage sales alone. Bowls will operate far less during this time frame, but still be forecast to generate in excess of \$10,000 in sales during that period.

It is recommended that the 100% profit share model continue for the Football and Bowls Club through to 30 September 2021 (the end of the football season) to provide the Clubs certainty over their revenues whilst the

new agreement for the future management model is being finalised. Should agreements with the Clubs be entered into before 30 September, and the necessary facility changes made to enable Club implementation, then the 100% profit share model will end at the time of the new agreement being entered into. The cost of continuing the 100% profit share model for the 3-month period is approximately \$30,000 in net returns to the Clubs (club revenue less cost of goods and cost recoveries).

It is important that Council recognise the importance of providing the Clubs sufficient time to consider the new model and agreement and provide them a level of comfort and sufficient time to work through the proposal with their Committees. Whilst the benefits of this new model are clear, it is important that Council acknowledges that the implementation will take some months, as there are further operational and infrastructure details that need to be worked through to successfully transition.

Should Council support the recommendations in this report and the Clubs agree, the lease/licenses will be developed for the Clubs that reflect the resolutions. The lease/license terms will be up to 5 years in line with Councils Leasing and Licensing Policy.

Financial Analysis

Attachment 3 outlines the forecast revenues and costs for the Clubs under the proposed new management model. Both the forecast revenues and net position (taking into consideration applicable facility costs) indicates that the Football and Bowls Clubs would generate a healthy surplus under the new management model which should be an attractive proposition.

The transition budget for 2021-22 (Attachment 4) includes a forecast cost of \$58,011 to operate the facility through to 30 September 2021 under the current Council facility management model with the 100% profit share applying for Football and Bowls. This includes the provision of an estimated \$40,823 in profit share to Football and \$423 to Bowls for that period. The estimated cost to operate the facility under the new management model from 1 October to 30 June 2022 is a further \$56,889 (being three-quarters of the estimated full year expense of the new model). As such, the forecast budget for 2021-22 is for an investment of \$114,900 in the transition year.

The forecast budgets indicate that Council would have a significantly reduced investment, down from \$235,000 in 2020-21 to \$114,900 in 2021-22; and \$75,850 in 2022-23.

Attachment

#	Attachment
1	Attachment 1 - Indicative ESMRG Club Leasing and Licensing Arrangements May 2021
2	Attachment 2 - ESMRG Management Transition Actions
3	Attachment 3 - ESMRG Future Management Model Financial Forecasts May 2021
4	Attachment 4 - 2021-22 ESMRG Forecast Budget

Indicative Leasing and licencing Arrangements

Club	Area	Agreement	Term	Facility Direct Costs	Shared Costs
Bowls	Function Room 1 (downstairs)	Lease	12 months (Exclusive Use)	Rent, Cleaning, Power, Sports Lighting	Common space eg. toilets, corridors etc Common services - air conditioning, security, lift, internet
	Community Room	Licence	6 months (Wed, Fri, Sat)		
Football	Gym, Storage	Lease	12 months		
	Function Room 2 and 3 (upstairs), change rooms, canteen	Licence	6 months		
Cricket	Function Room 3 (upstairs), change room	Licence	1 day per week for 6 months		
	Cricket Storage Shed	Lease	12 months		
Cycling	Cycling Storage Shed	Lease	12 months		
	Track	Licence		Power for oval lights	
Triathlon	Track	Licence	12 months 2 days per week	Power for oval lights	

Attachment 2 - Operational matters to be resolved under transition to club-based management model

Item	Action	Time Frame
Install separate electrical “tenancy” boards	Cable will need to be redirected to install sub boards in the 4 main function areas.	6 – 8 weeks
Zone air conditioning to tenancy spaces	Currently being investigated	8 – 12 weeks
Construct passageway to provide separate access to kitchen	Plans and works to be completed following consultation with clubs	8 – 12 weeks
Community room access	Install pin code to provide access to community room from car park.	3 weeks
Negotiate new agreements	Clubs will need to sign new agreements to reflect the new lease/license arrangements.	4 – 8 weeks
Other licensees – HITSA, SEDA	Need to determine how these groups continue to use the facility and under whose agreement.	Pending consultation outcomes
Toilet access to oval users	The umpire’s room could be made available for groups who purely licence the oval/velodrome. This will need to be included in agreements if it becomes common use and access arrangements provided.	2 weeks
Canteen	Football is currently the main user; however other Clubs have expressed interest in gaining access to the canteen space. This would need to be worked through in consultation with clubs and included in agreements as necessary.	Pending consultation outcomes
Clubs to arrange liquor licence for leased/licenced times	Club and Council will need to seek new licences for the required times to match leased/licenced periods.	8 - 10 weeks
Common keg room and mixer drink lines	Currently beer and mixer drink lines are shared between the upper and lower level function areas. Method and agreement will need to be reached how costs are split between bowls and football or look at any further technology to resolve.	4 – 8 weeks
Administration/Office Space	This will be a shared administration space that currently has the safe, security and internet cabinet. Need to work through agreed use and responsibilities for space.	Pending consultation outcomes
Stock	Need to consider storage requirements for separate Club stock, especially potential off-season storage for football emptying the bar area.	4 – 12 weeks
Catering	Need to determine who is responsible for the catering space and implications for costs and maintenance.	8 – 16 weeks

Security	Need to ascertain whether the security cameras and systems can be decentralised, and separate arrangements made, or whether a shared system is required.	4 – 8 weeks
Internet	Certain services will require internet such as the Lift, Point of Sale, Security. Need to ascertain whether Clubs have separate internet and how this can be set-up, and what may need to be shared usage.	4 - 8 weeks

ATTACHMENT 3 - EDWARDSTOWN SOLDIERS MEMORIAL RECREATION GROUND (ESMRG) CLUB BASED MANAGEMENT MODEL FORECASTS

	Revenue	Football	Bowls	Cricket	Council	Forecast Total	2020/21
1	Bar Sales	\$ 170,000	\$ 120,000	\$ 10,000	\$ -	\$ 300,000	\$ 291,422
	Canteen	\$ 20,000	\$ -	\$ 2,500	\$ -	\$ 22,500	\$ -
2	Hire	\$ -	\$ 2,000	\$ -	\$ 50,000	\$ 52,000	\$ 50,706
	Catering	\$ -	\$ -	\$ -		\$ -	\$ -
3	Rent				\$ 5,650	\$ 5,650	\$ -
4	Cost of Goods (COGS)	\$ 66,500	\$ 42,000	\$ 4,375		-\$ 112,875	-\$ 116,569
	Sub-Total	\$ 123,500	\$ 80,000	\$ 8,125	\$ 55,650	\$ 267,275	\$ 225,559
	Expenses						
5	Wages	\$ -	\$ -	\$ -	\$ 25,000	\$ 25,000	\$ 205,269
6	Rent	\$ 2,500	\$ 2,500	\$ 650	\$ -	\$ 5,650	\$ -
	Electricity	\$ 5,500	\$ 5,500	\$ 250	\$ 20,000	\$ 31,250	\$ 32,463
7	Water	\$ 5,500	\$ 2,500	\$ 250	\$ 10,000	\$ 18,250	\$ 18,836
	Gas	\$ 500	\$ 500	\$ 50	\$ 5,000	\$ 6,050	\$ 7,177
8	Cleaning	\$ 7,500	\$ 5,000	\$ 500	\$ 27,500	\$ 40,500	\$ 53,267
9	Security & Internet	\$ 2,000	\$ 2,000	\$ 150	\$ 5,000	\$ 9,150	\$ 12,958
10	Repairs & Maintenance - Contractors Other, Electrical, Plumbing, R&M, Maint Agreements, Fire Protection, Waste, TagTest	\$ 7,500	\$ 7,500	\$ 1,000	\$ 22,500	\$ 38,500	\$ 34,598
	Cleaning Materials - Chemicals, Other Materials, Safety Clothing & Supplies	\$ 1,500	\$ 1,500	\$ 250	\$ 6,500	\$ 9,750	\$ 9,122
11	Administration - Photocopier, Phones, Catering, Kitchen Supplies, Subscriptions, Bank Charges, Legal	\$ 2,500	\$ 2,500	\$ 250	\$ 7,500	\$ 12,750	\$ 19,851
12	Equipment - Minor Plant, Minor Office Equipment, Office Stationery	\$ 1,500	\$ 1,500	\$ 250	\$ 2,500	\$ 5,750	\$ 3,749
	Insurances	\$ 1,500	\$ 1,500	\$ 250	\$ -	\$ 3,250	
	Sub-Total	\$ 38,000	\$ 32,500	\$ 3,850	\$ 131,500	\$ 205,850	\$ 397,290
	TOTAL	\$ 85,500	\$ 47,500	\$ 4,275	-\$ 75,850	\$ 61,425	-\$ 171,731

Assumptions

- Football, Bowls and Cricket sales based on a full year with current Covid restrictions (3 people per 4 sqm)
- Council hire revenue based on HitSA, SEDA College agreements and additional hire for the use of the community room and function rooms 2 & 3 outside of football and bowls licensed use.
- Rental income from the Clubs to Council
- COGS based on 35% food and beverage stock costs
- Wage allocation for a Council resource to drive utilisation of the Council allocated spaces and oversee usage.
- Rent based on leasing and licensing policy (93% commercial discount) for space and times of use
- Utilities forecast on usage for specified licensed areas (metered) and proportionate charge allocation for common use services
- Cleaning cost forecast for Clubs based on likelihood they will perform most of their own cleaning to save costs, and incur some expense for
- Reflects allocation for security monitoring and individual internet charges
- Proportionate allocation for facility repairs and maintenance, and Council incurs additional maintenance expenses for building renewal expenses.
- Forecast specific expenses for toiletries, chemicals, and other cleaning goods for allocated license spaces and proportion of common spaces
- Forecasting reduced costs for facility administration with no dedicated Facility Management managing the venue all-year

EDWARDSTOWN SOLDIERS MEMORIAL RECREATION GROUND 2021-22 FORECAST PROFIT & LOSS

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