



Edwardstown Soldiers Memorial Ground Funding Agreements

Originating Officer	Unit Manager Sport and Recreational Community Facilities - Mark Hubbard
Corporate Manager	Manager City Property - Thuyen Vi-Alternetti
General Manager	General Manager City Development - Ilia Houridis
Report Reference	GC201124F04

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: Acting Chief Executive Officer, General Manager City Development, General Manager Corporate Services, Acting General Manager City Services, Acting Manager Corporate Governance, Manager City Property, Unit Manager Sport and Recreational Community Facilities, Unit Manager Land & Property, Unit Manager Communications, Acting Unit Manager Governance and Council Support, be excluded from the meeting as the Council receives and considers information relating to Edwardstown Soldiers Memorial Ground Funding Agreements, 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 proposed funding agreements.

REPORT OBJECTIVE

To provide Council with and update and seek endorsement to extend the current financial model and funding (dividend) agreements with the five (5) sports clubs at the Edwardstown Soldiers Memorial Recreation Ground (ESMRG) for the period 1 August 2020 to 30 June 2021.

EXECUTIVE SUMMARY

The Edwardstown Soldiers Memorial Community Club (ESMCC) operated the new Edwardstown Soldiers Memorial Recreation Ground (ESMRG) facility during the period April 2019 to 2 February 2020.

The City of Marion took over management of the ESMRG facility on 3 February 2020 and on 20 March 2020 (SGC200320F01) Council endorsed a dividend arrangement to take effect as of 3 February 2020 to 31 July 2020.

The system was introduced as a means to compensate the Clubs for revenues that they would have previously been generated by operating their own clubrooms, and as an incentive for Clubs to use the new facility to increase overall utilisation and sales. A total of \$53,770 has been paid to the affiliate clubs as dividends since 3 February 2020.

Council retains 50% of sales eligible for dividends, all bar sales outside those eligible under the dividend model, plus other revenues from facility operations (food, room hire, functions and events).

Administration is currently undertaking a review of potential revenue return systems for Clubs at Council controlled facilities as part of the multi sport facility management model options review.



It is recommended the current financial model and Funding (Dividend) Agreements with the five affiliate clubs at the ESMRG continue for the period 1 August 2020 to 30 June 2021, with the aim to apply any new decisions on a revenue return system at the end of this period.

If the recommendation is endorsed, it is estimated that a further \$108,019 in dividends would be paid out to the five clubs for the period 1 September 2020 to 30 June 2021.

RECOMMENDATION

That Council:

- 1. Endorses the extension of the current financial model and funding (dividend) agreements with the five (5) sports clubs at the Edwardstown Soldiers Memorial Recreation Ground (ESMRG) for the period 1 August 2020 to 30 June 2021.**
- 2. In accordance with Section 91(7) and (9) of the Local Government Act 1999, orders that this report the attachments and any minutes arising from this report having been considered in confidence under Section 90 (2) and (3)(b) (i) and (ii) 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 2020.**

DISCUSSION

Background

At the General Council Meeting (GC080817F02), Council endorsed a management and financial model for the Edwardstown Soldiers Memorial Community Club Board.

The model included a dividend system for the affiliated clubs based on food and beverage revenues generated from each Clubs activity, as well as compensation for the amount of volunteer staffing contributed to the food and beverage operations (refer to Attachment 1 for full resolution). The system was introduced as a means to compensate the Clubs for revenues that they would have previously generated by operating their own clubrooms, and as an incentive for Clubs to use the new Edwardstown Soldiers Memorial Recreation Ground (ESMRG).

The dividend system that was devised applied a return from all food and beverage sales specific to each Club.

On 3 February 2020, Council took over management of the ESMRG due to issues with the operation of the new facility under the Edwardstown Soldiers Memorial Community Club Board.

Council supported a new dividend system to apply for the affiliate clubs from 3 February 2020 to 31 July 2020 based on 50% of gross bar sales only. Council retains all other revenues including food sales, functions and room hires. The City of Marion has paid a total of \$53,770 to the affiliate clubs as dividends since 3 February 2020, which includes payments for August 2020.

Between May to June 2020 Council undertook a Request for Proposal (RFP) process for the management of the ESMRG. There was insufficient interest shown by external management groups for the one facility, but there was a potential interest in a broader portfolio approach.



Council requested Administration to consider potential management options for three of Councils multi-purpose facilities - ESMRG, Cove Sport and Community Club (CSCC) and Mitchell Park Sports & Community Club (MPSCC). The review is considering revenue return systems for Clubs at these facilities.

Finding the balance for a future revenue return system is important because it can significantly impact overall facility revenues, staff wage costs and Club viability and satisfaction.

Discussion

There are five affiliate sports clubs located at the ESMRG that have had, and have been offered license agreements.

The Funding (Dividend) Agreement forms part of the license agreements issued by the City of Marion to each affiliate club for execution.

To date, the status of execution of the documents is:

- Edwardstown Bowling Club (have not executed documents, but are in discussions with Council about a possible extension to the licensed hours)
- Edwardstown Football Club (have executed documents)
- South Road Cricket Club (have not executed documents, and are requesting amended terms in the License agreement)
- Southern Cycling Club (have executed documents)
- Meteors Triathlon Club (have executed documents)

The new Dividend (Funding) Agreement for affiliate clubs at ESMRG indicates a review date of the current dividend arrangements of 30 June 2021.

When considering an extension to the funding agreement the following should be noted:

- Councils prior commitment that the new ESMRG facility and funding model would provide sufficient dividends to Clubs from operations to offset the lost revenues the Clubs previously generated through their own Club facilities, in particular the Bowling and Football Clubs.
- Discussions with the affiliate clubs during 2020 indicate that removal of a dividend model would have a significant impact on club financial sustainability. This is particularly likely for the two largest sporting clubs, the Edwardstown Bowling Club and Edwardstown Football Club.
- Changes to or removal of the funding agreement could affect the Clubs willingness to supply volunteers for the bar operations, which in turn would significantly increase Councils wage costs.
- Changes to or removal of the funding agreement could result in reduced utilisation of the venue and reduced revenues if Clubs feel less incentivised to patronise the facility.
- The difference in the net return to Council by having a dividend system or not, may be quite marginal when consideration is given to potential decreased revenues and the addition of wage costs.
- Any change to the dividend system should be communicated in a timely manner to the Clubs to ensure they can amend their own budgets and fee systems accordingly.
- The extension of the funding agreement provides Council sufficient time to explore other potential Club revenue and cost share models, as per the current review being conducted into Council's management models for multi-purpose sporting facilities.

It is recommended to continue with the current financial model and funding (dividend) agreements with the five (5) sports clubs at the Edwardstown Soldiers Memorial Recreation Ground (ESMRG) whilst the review into Club revenue return systems is being conducted. This would apply for the period 1 August 2020 to 30 June 2021 with the aim to apply any new Council decision on revenue return systems at the end of this period.

If the recommendation is endorsed, it is estimated that a further \$108,019 in dividends payments to clubs for the period 1 September 2020 to 30 June 2021. Further details on total sales and related dividend projections are in Attachment 2.

Attachment

#	Attachment	Type
1	Council Resolutions - Edwardstown Soldiers Memorial Recreation Ground	PDF File
2	Edwardstown Sales	PDF File

Attachment 1 – City of Marion Resolutions – Edwardstown Soldiers Memorial Recreation Ground

The relevant Council resolutions referenced in this report are:

SGC200320F01

That Council:

1. Endorses the budget provided as Attachment 1 Table A to the report;
2. Endorses the financial model to be implemented retroactively to take effect as of 3 February 2020 to 31 July 2020, including:
 - Clubs will be responsible for the provision of volunteers for all club events;
 - Where clubs require Council to provide staff for club activities, the direct cost of staff will be deducted, in full, from dividend payments;
 - Eligibility of payments will be on receipt of having fully executed licences in place;
 - Dividend payments of 50% of gross bar sale generated by the clubs only;
 - No dividend payments will be offered for revenue generated from food sales or any other source;
 - Proposed dividend payments will begin in mAy 2020 and occur monthly thereafter to enable Council to undertake an analysis of trading trends within the facility;
 - Council will not provide any payments to club volunteers undertaking duties within the facility;
3. Endorses for the outstanding debts of \$34,677 owed to the City of Marion by the Edwardstown Soldiers Memorial Community Club be cleared in lieu of stock take to the value of \$36,514 taken on by the City of Marion to enable continuation of trade.
4. Endorses for an invoice to be raised by the Edwardstown Soldiers Memorial Community Club for the amount of \$1,837 to settle all debts between the two parties.

GC080817F02

That Council:

1. Endorses the management and financial model outlined in the business plan attached as appendix 1 to this report and supports this being progressed to the Edwardstown Soldiers Memorial Community Club Board for endorsement by the Board.
2. Notes the further community consultation to be undertaken with the clubs regarding the management model and that a further detailed communications strategy will be presented to Council in September 2017.
3. Endorses the employment of a Facility Manager by the Edwardstown Memorial Soldiers Community Club and notes recruitment will commence for this position in October 2017.
4. Endorses Council funding to support the employment of a Facility Manager by the Edwardstown Memorial Soldiers Community Club in an ongoing capacity and allocates \$45,000 in the 2017-18 budget through the first budget review process and an ongoing allocation of \$90,000 in the Long Term Financial Plan.
5. Endorses an allocation up to \$155,000 to be funded from Council's Asset Sustainability Reserve (General fund) for the purchase of various furniture, fittings and equipment that are not included in current building scope.

6. Endorses Council acting as guarantor on an overdraft facility of up to \$55,000 for the Edwardstown Soldiers Memorial Community Club Board for a period of up to 5 years in accordance with the Head Lease agreement.
7. Endorses total funding up to \$70,000 to be incorporated into Council's Long Term Financial Plan over the next 3 years to fund the proposed Community Value Subsidy required to support the Edwardstown Memorial Soldiers Community Club during its transition to a new management model.
8. Receives a report on the cost and benefits arising from funding professional managers (at least part-time) for Council's other regional sporting facilities which are managed by non-profit associations.
9. In accordance with Section 91(7) and (9) of the Local Government Act 1999 the Council orders that this report, appendices and the minutes arising from this report having been considered in confidence under Section 90(2) and (3)(b) and (d) 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 2017.

Attachment 2 – Edwardstown Sales

Since the City of Marion took over management of the facility, sales data can be summarised in Tables 1 and 2 below.

Table 1 –Sales by Product Group – Actual - 3 February 2020 to 31 October 2020

Product Group	Sales (\$GST Inc)	Sales %
Alcoholic Beverages	\$156,487	72.1%
Food	\$45,258	20.9%
Non-Alcoholic Beverages	\$13,954	6.4%
Ad-Hoc Room Hire	\$1,100	0.5%
Edwardstown Club Membership	\$175	0.1%
Total Sales	\$216,973	100%

Table 2 –Sales by Customer Group – Actual - 3 February 2020 to 31 October 2020

Customer Group	Sales (\$GST Inc)	Sales %
Football Club	\$118,519	54.6%
Bowling Club	\$65,500	30.2%
General Public	\$25,679	11.8%
Cricket Club	\$6,218	2.9%
Cycling Club	\$535	0.3%
Community Club	\$522	0.2%
Triathlon Club	\$0	0%
Total Sales	\$216,973	100%

COVID-19 impacted total sales during 2020. COVID-19 also impacted club sales differently depending on their primary competition seasons. The facility was closed for all of April and May 2020.

Table 3 below summarises dividend payments to the affiliate Clubs over the following periods since the City of Marion took over management of the facility based on the 50% dividend funding agreement.

Club	Feb 2020 to July 2020	1 Aug 20 to 31 Aug 20	1 Sep 2020 to 30 Sep 20	1 Oct 20 to 31 Oct 20	1 Nov 20 to 30 Jun 21	Total 3 Feb 2020 to Jun 2021
Bowling Club	\$19,203	\$1,515	\$3,815	\$7,353	\$54,233	\$86,119
Football Club	\$19,713	\$12,838	\$5,787	\$5,436	\$26,975	\$70,748
Cricket Club	\$90	\$270	\$682	\$1,425	\$1,203	\$3,670
Cycling Club	\$141	\$0	\$0	\$0	\$981	\$1,122
Triathlon Club	\$0	\$0	\$0	\$0	\$129	\$129
Total	\$39,147	\$14,623	\$10,284	\$14,214	\$83,521	\$161,788

	Actual Paid	Actual Paid	Actual Not Paid	Actual Not Paid	Estimated	Estimated
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