GENERAL PURPOSE COMMITTEE

SECTION 3

ORGANISATION & RESOURCES

ITEM	**SUBJECT**	**PAGE**

- **SECTION 3 - ORGANISATION & RESOURCES.**

******* END OF TABLE OF CONTENTS *******

ITEM: 51 AUSTRALIAN PIONEER VILLAGE - FINANCIAL REVIEW

FILE NUMBER: GC283/107 PT04/CSV

REPORT:

Listed in today's General Purpose Committee Business Paper is an item concerning a request from the Australian Pioneer Village Management Committee for further financial assistance for the 1995/96 Financial Year.

The report presented was based on the submission received from the Management Committee which was based on a Statement of Income and Expenditure as at 21 May 1996, with projections for the remainder of the financial year as detailed in the report to Council. Having regard to the financial snapshot as at the end of May and factoring in projected income and expenditure, the request was for a further loan of $19,000. However, a revised Statement of Income and Expenditure completed within the last 24 hours indicates that there would be a variation to that projected deficit in the order of a further $16,000.

Council will recall that in accepting the submission from the Friends of Australian Pioneer Village for the management of the facility, that they projected a first year operating deficit of some $28,900 and Council agreed to provide a financial subsidy towards the first year operations in this amount. The Committee's projections were for a second year deficit of $7,500 and a small surplus in the third year of operation.

In reviewing the most recent statement of finance for the Village, it would indicate that the actual operating deficit for the first year of operation is $104,900. This is calculated by adding the original subsidy by Council of $28,900 plus the loan of $27,000 agreed to by Council last month and the remaining deficit contained in the current financial statement of $48,962. As previously reported, the reasons for the variation are mainly due to the dissolution of the business arrangement with Australian Outback Connection.

As indicated in the report to Council and the separately circulated submission from the Management Committee, they have identified certain expenditure costs which they can defer until the 1996/97 financial period. The Committee has indicated these costs are in the order of $14,000 and relate to promotional and marketing expenses which whilst incurred at this stage, will relate to the next financial year. On the basis of this adjustment being made, the revised operating deficit is reduced to $91,000 (that the $105,000 less $14,000).

Given the revised deficit of $91,000 and deducting the original subsidy of $28,900 and the more recent loan of $27,000, this reduces the total to $35,100. The current request is for $19,000, however, it will be seen that this will not be sufficient and a further $16,000 will be required. The current request was for a further loan and if agreed to a further $35,000 would be required (that is the $19,000 plus an extra $16,000). If the Council were agreeable to this, it would mean that the Committee would enter the 1996/97 financial period with a debt to repay to the Council of $62,000, that is the $35,000 currently suggested plus the $27,000 loan agreed to last month.

In looking at next year's projection as previously reported to the Council and outlined in the strategic plan prepared on behalf of the Committee by their consultant, Mr Ken McManus, they were anticipating a modest surplus but basically the projection was for a "break-even" financial scenario next year. The reality is that for the Committee to carry forward this loan, trade at a level that it could repay the loan and meet its projected estimates, they would have to improve operations next year over the current year by some $150,000. This situation was discussed this morning with representatives of the Management Committee and it is extremely unlikely that such a target could be achieved.

For over a decade of operations under the Council's ownership, the Village has annually operated at a loss. In terms of 1995/96 financial period there can be no doubt that the revised deficit on operations would have been substantially more if not for the significant level of assistance and effort given by the many volunteers associated with the Friends of the Village Society and the Management Committee and indeed other members of the community interested in assisting in maintaining the identity and integrity of the Village.

However, it is now considered appropriate for the Council to seriously consider its options which have previously been reported and are contained in the current report in the Business Paper.

Basically, it is a matter for Council to determine whether it is prepared to continue to underwrite an operating loss for the Village on the basis that the level of operating deficit would diminish over time. However, actual/revised projections for the future are not known at this stage, but in reality continued deficits are reasonably expected, or whether the Council considers it appropriate to take the opportunity to approach the market place to ascertain whether there are other persons/organisations who may be interested in the leasing, management or purchase of the facility.

Given all the circumstances, it is considered this may be the most suitable course of action with Council inviting the Australian Pioneer Village Management Committee to continue management/operation of the facility for a further 6 (six) months on the basis that Council would absorb the operating loss for the 1995/96 financial year of an extra $62,100 (that is the revised operating loss of $91,000 less the $28,900 already given by way of subsidy) and meet the deficit on operations for the further 6 (six) months which may be in the order of $30,000 - $40,000 on the basis that this timeframe would allow a sufficient period to invite, receive and consider submissions for future control of the facility. Of course, the current Management Committee would have the opportunity of submitting an application for consideration in conjunction with this process.

The matter is now presented for Council's consideration.

RECOMMENDATION:

That Council invite expressions of interest for the management, lease or purchase of the facility with the current Management Committee being invited to continue its operations for a further 6 (six) months on the basis as outlined in this report.

ATTACHMENTS:

There are no supporting documents for this report.

FN:OG625LAX.C09 ****** END OF ITEM 51 ******