

Lyndoch spends up big on medical clinic, but at what risk?

Lyndoch paid \$1.3m for the W'bool Medical Clinic, with nearly all of it spent on "goodwill".

Fun4Kids faces axe after cost blow-out



Opinion – Carol Altmann

The 2014 Fun4Kids festival is expected to show a record loss of up to \$600,000, prompting a recommendation from Warrnambool City Council staff that it be axed in 2015.

Bluestone believes that the figures – due to be released by the council early next month – will confirm that the cost to ratepayers to subsidise the annual, eight-day festival has quadrupled in less than 10 years.

As a result, it is understood that council staff have taken a 360-degree turn from last December, when it was recommended the 14-year-old festival be funded for another three years at a cost of up to \$450,000 a year, to recommending it be closed.

The total subsidy for the festival since it started in 1999 is now in excess of \$6 million with, as some councillors have argued, not a lot to show for it.

As it happens, in anticipation of the 2014 figures being released, I had already spent some time crunching the numbers from Fun4Kids in 2005 – which was a good year – compared to 2013, and this is how they stacked up:

[box]Total cost of the event:

2005: \$672,223

2013: \$1,082,070 (up 60%)

Total revenue from the event:

2005: \$523,115

2013: \$614, 242 (up 17%)

Council subsidy for the event:

2005: \$156,354

2013: \$467,827 (almost tripled)[/box]

As you can see, even before the release of the 2014 figures, the public subsidy for the event has almost tripled and is about to get a whole lot worse.



Before I am accused of attacking an event that is designed for kids, it is worth remembering the Warrnambool City Council's own aims when Fun4Kids first started in 1999.

At that time, the idea was for the festival to break-even or be "cost neutral" within a few years.

By 2003 – four years on – the council was told by external consultants that this was still unrealistic and that, "for the next few years at least", it would need to spend around \$100,000 a year on helping Fun4Kids to meet its expenses.

Any thoughts of even trying to break even have since been forgotten and, each year, the event has become much more expensive to run.

This might not be such an issue if Fun4Kids was drawing record crowds, but less people are showing up.

In 2005, attendances were at 32,112. By 2009, this had fallen to 24,349 and by 2013, it was down to 22,217 people, or a third less than the 2005 numbers.

It appears the numbers for 2014 will be even worse, despite ticket giveaways and drastically reduced ticket prices for locals in the final days of the event.



One of the biggest costs has been in paying performers, as the festival has sought to attract more high-profile artists: the performance costs were \$69,970 in 2005 and \$220,000 in 2013. Talent does not come cheap.

When I asked the council last week about the rising cost of running the event, its spokesman replied:

"The increase in the cost of Fun4Kids from 2005 is largely explained through a changed accounting methodology which included the cost of staff salaries (the time commitment of events staff into the project) and inflation."

But internal council staffing costs of around \$82,000 were included in the 2005 total and inflation has been low for the past decade: around 3 per cent.

On any measure, Fun4Kids cannot be deemed a financial success for the council, but it has previously justified its subsidy on the wider spin-offs for the city, and there is no doubt tourism operators and a few local businesses see Fun4Kids as a boost in what can be quiet months of the year.

Again, however, the wider spin-offs for Warrnambool have not grown in step with the rising cost.



According to the 2005 figures, the wider economic benefit from Fun4Kids was estimated at around \$4.5 million. By 2013, this had not grown, but *fallen* to \$3.69 million.

The more direct economic impact (using a different formula, based on actual spending), was set at \$1.51 million in 2005 and had climbed to \$1.94 million in 2013, which is a slight, but not significant, improvement after eight years.

Of course there are lots of immeasurables around an event such as Fun4Kids, including providing a fun event for young families, and encouraging those tourists who do attend to visit Warrnambool again.

The event has also been recognised in the past with tourism awards and, no doubt, adds to the number of “things to do” in Warrnambool during the off-season.

But it was never set up to be a loss-making exercise and I wondered when it was decided to reposition Fun4Kids from becoming “cost neutral” to heavily subsidised.

I emailed this question to the council’s media and communications manager to see if he could flush out the history.

“Council makes a decision annually on the festival, including decisions relating to its budget,” was the reply.

While the subsidies are not quite on the scale of a Melbourne Formula One Grand Prix, the question needs to be asked as to what a regional council is doing in the business of commercial event management, especially when the event is losing its lustre?

And would any other publicly funded event in Warrnambool, such as Wunta, be given as much financial leeway as Fun4Kids before it was reigned in?

Irrespective of your attitude about Fun4Kids, I believe these are legitimate questions to ask of those in charge of spending your money and more people, no doubt, will be asking the same questions when the 2014 losses officially come to light.

[box] Sources used for this piece include: WCC agenda 10.5.05; Auditor-General Victoria report, *Results of Special Reviews and other Investigations*, May 2005; WCC Budget 2004-05; Fun4Kids Service Review, WCC minutes 9 Dec, 2013.[/box]

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