

COMMUNITY SERVICES**18 FEBRUARY 2015****4****ADJUSTMENT TO CAIRNS REGIONAL GALLERY RESOURCE AND PERFORMANCE AGREEMENT**

L. Kirchner | 1/59/13 | #4633743

RECOMMENDATION:

That Council approves an amendment to the Cairns Regional Gallery's Resource and Performance Agreement to include the following:

- a) **The base funding be increased by \$85,000 for 14/15 financial year to a total of \$1,081,893.44 (ie \$996,893.44+\$85,000);**
- b) **An annual increase of \$80k (indexed to All Ordinaries Consumer Price Index for the City of Brisbane) for the 2015/2016 and 2016/2017 financial years; and**
- c) **Delegates authority to the Chief Executive Officer in accordance with the *Local Government Act 2009* to finalise any and all matters in relation to the drafting and execution of the Agreement.**

EXECUTIVE SUMMARY:

The Chair of the Gallery Board has formally requested an additional \$85,000 for 14/15 and annual increase of \$80k (indexed to All Ordinaries Consumer Price Index for the City of Brisbane) for 2015/2016 and 2016/2017.

Council officers have worked closely with gallery staff to adjust operational procedures and equipment to reduce overall electricity costs for that facility. However, an increase in level of financial support is now recommended to meet operational costs.

BACKGROUND:

In early 2013, the Gallery air conditioning (and associated humidifier) were upgraded to ensure appropriate storage conditions for the Gallery collection and to attract touring exhibitions. However this upgrade resulted in an increase in the operational costs of the Gallery due to the impact on electricity consumption. In simple terms it had tripled from around \$7.8k to \$23k per month. In 2014 there was a further adjustment to the lighting regime in the gallery with the installation of LED lighting to further reduce electricity consumption.

As per the existing agreement, officers have now reviewed in consultation with the Gallery staff one full year of operations of the revised lighting. There has not been a significant reduction in consumption and therefore costs. Officers have recommended a change in tariff structure and this was implemented in December. It is anticipated that this will reduce January to June 2015 costs by \$10k) A review of the air-conditioning operations is currently being undertaken to see if there is any fine tuning that should now be implemented. It is anticipated that this information will be available shortly.

COMMENT:

In April 2013 Council considered the Performance and Funding Agreement 2013 – 2017. That resolution is attached to this report. It is also noted that in addition to responsibility for repairs and maintenance of the external fabric of the Gallery building and internal lift and air-conditioning systems, this Council further assumed responsibility for repair and maintenance of water, sewerage, gas and electricity services within the building.

The Gallery Director has indicated that when the 2014/2015 budget was constructed it was assumed that a similar additional allocation would be made to meet the ongoing increased costs of electricity at the end of the twelve month period (ie December 2014).

The Chair of the Gallery Board has now formally requesting an additional \$85,000 for 14/15 and annual increase of \$80k (indexed to All Ordinaries Consumer Price Index for the City of Brisbane) for 2015/2016 and 2016/2017.

OPTIONS:

1. That Council approve this funding increase.
2. That Council advise the Chair of the Gallery Board that additional funds will not be provided.

CONSIDERATIONS:

Risk Management:

It should be noted that the Performance and Funding Agreement for the Cairns Historical Society has specified a contribution amount for operational expenses (ie not an agreement to meet their actual electricity expenses). Should Council consider increasing the Gallery's funding it should also be similarly worded such that it does not directly translate to actual electricity expenses to ensure that the Gallery continues to closely monitor any fluctuations in usage.

Financial:

A summary of Capital expenditure by CRC at the Gallery in recent years is attached. This expenditure has been made in the recognition of the Gallery as an important asset in the region and its significant contribution to the cultural experience for both tourists and residents (including the youth of Cairns).

A review of their financial statements over recent years indicates a fairly stable Gallery generated income (ie fluctuates between \$460k and \$500k). It is not anticipated that that this will significantly change in the life of the current funding agreement. However it is noted that the Gallery is currently operating in a surplus position. The Chair of the Gallery Board has confirmed that they have acquisition and exhibition strategies which will need to be funded from this surplus over the next 5 years. Surpluses are transferred into two specific reserves at the end of each financial year to fund these strategies.

Corporate and Operational Plans:

Support for the gallery is in accordance with the Council's Corporate Goals.

CONSULTATION:

Staff will continue to work closely with the Chair of the Board and the Gallery Director.

ATTACHMENTS:

A copy of the 2013 resolution and a summary of capital expenditure are attached for Council information.



Linda Kirchner
General Manager Community Sport and Cultural Services

Resolution Ordinary Meeting 24 April 2013

15. RENEWAL OF THE CAIRNS REGIONAL GALLERY FUNDING AND PERFORMANCE AGREEMENT 2013-2017 223
 Lesley Buckley: 10/25/8-01: #3938046

COOPER / JAMES

That Council:

- a) **approves an additional payment to the Cairns Regional Gallery in the current financial year of \$39,000 (ex GST) in recognition of higher than anticipated electricity charges and cleaning contract costs incurred by the Gallery;**
- b) **endorses an adjustment to the base level of Council support for future years by the amount referred to in a) above and by a further \$20,000 in recognition of lower than requested indexation in previous financial years;**
- c) **approves entering into a new support agreement with the Cairns Regional Gallery Ltd for the period 1 July 2013 to 30 June 2017, including**
 - i) **A funding contribution from Council of \$953,965 (excluding GST) in 2013-14, being 4% above the adjusted base referred to in b) above;**
 - ii) **Indexation of the annual contribution by 150% of the All Groups CPI weighted average of eight capital cities or 4%, whichever is the higher, in subsequent financial years; and**
 - iii) **Council assuming responsibility for additional repairs and maintenance being those associated with water, sewerage, gas and electricity services within the Gallery; and**
 - iv) **Delegates authority to the Chief Executive Officer pursuant to Section 257 of the *Local Government Act 2009* to finalise any and all matters in relation to the drafting and execution of the Agreement.**

Carried

3 years Art Gallery Projects		2011/12	2012/13	2013/14	Jan-15	TOTAL
PCC13041	Art Gallery Air con		739,455.81	11,459.00	-	750,914.81
PCC14031	Art Gallery Lighting			272,239.00	-	272,239.00
PCC12166	ART GALLERY AIR PROCESS UNIT	14,648.00	20,197.27		-	34,845.27
PCC13315	PCC13315-ART GALLERY - COOLING		22,205.28		-	22,205.28
PCC13332	PCC13332-ART GALLERY - RENEW F		52,524.30		-	52,524.30
TOTAL		14,648.00	834,382.66	283,698.00	-	1,132,728.66