

The Outpost Project 2013 – Cost Review

PURPOSE

At its meeting of 12 December 2012, the Board briefly considered the Outpost project in the context of the risk to the Trust of a potential year-end deficit. In discussion, the Board acknowledged the apparently growing costs of Outpost and requested that a detailed report be prepared providing an accurate review of projected costs and the risks, both financial and reputational, to the Trust.

RECOMMENDATIONS

It is **recommended** that the Trust **defer** the Outpost project from April 2013 until after the 2014 Biennale i.e. 2015.

BACKGROUND

At its May 2012 meeting, the Trust considered a report and draft budget for the proposed Outpost event on Cockatoo Island, to be held over five weeks from late March until early May 2013. (A copy of that report is attached.) In summary, the report advised that the total cost of presenting the event would be in the order of \$958K and recommended that the Trust proceed with the planning and delivery of the event, subject to a financial commitment by the Trust of between \$150K and \$350K. This financial commitment was to be supplemented by sponsorship "offsets" of between \$600K and \$800K.

What has emerged in this last week is that the **real** costs to the Trust of delivering this event (including offsets) have escalated significantly and [REDACTED] Director, Marketing and Business Development, says will now be in the order of \$954K less total cash and offsets of \$157K. A total cost to the Trust of \$797K.

BUDGETARY IMPLICATIONS

Refer to discussion following.

DISCUSSION

Following the Board's request to clarify the Outpost budget figures, the Trust CFO, Susan Culverston, has undertaken a line by line analysis of the entire Marketing and Business Development budget for 2012-13. The results of her analysis follow.

1. Cost of the Event

As things stand, the planned levels of expenditure for the 2013 Outpost Event by the Marketing and Business Development Branch are:

BOARD IN CONFIDENCE

Description	Current Budget
Curated Program - Artist Fees	\$102,920
Outpost Prize	\$7,000
Education/Family Programs	\$35,474
Live Program	\$10,786
Equipment and Materials	\$195,390
Crews - including bump out	\$50,000
Event Contractors (excludes Production Mgr)	\$29,060
Site Services (waste, cleaning, security)	\$40,000
Airfares and visas	\$29,545
Accommodation	\$20,428
Ground Transport	\$4,200
Freight (overseas containers)	\$8,000
Barging	\$30,000
Meetings/Gifts	\$1,000
Petty Cash	\$1,500
Contingency	\$3,000
Launch	\$67,000
Miscellaneous	\$12,000
	<hr/>
	\$647,303
Marketing Budget	\$307,500
	<hr/>
	\$954,803

Marketing Budget Detail:

Outpost brand, design, concepts, copywriting, campaign elements	\$50,000
Campaign Hero Image	\$7,500
Outpost Marketing - Print and Production	\$75,000
Outpost Media Buy - [REDACTED]	\$50,000
[REDACTED]	25,000
Outpost Media Buy - Print, digital, [REDACTED]	\$70,000
Outpost Media Buy - Outdoor (advertising)	\$10,000
Promo campaign - guide distribution	\$20,000
	<hr/>
	\$307,500

The Director of Marketing & Business Development, [REDACTED] advises that the Trust has been promised cash contributions of \$117,000 and in-kind contra and offset support which can directly reduce expenditure of an estimated \$40,000. However, she anticipates that cash contributions and direct contra contributions will ultimately be in excess of \$180,000. Presently, on [REDACTED] current December 2012 figures with known cash/contra totaling \$157K, this would result in an estimated expenditure of \$797,803, excluding the anticipated revenue streams from food and

- 4.2. **Financial loss of \$192,000** from commitments to artists and suppliers.
- 4.3. **Financial savings of \$958,000**, being the estimated total cost of holding the event.
- 4.4. **The net financial result of a cancellation would be \$766,000 savings in expenditure** plus significant savings in staff time and other non-financial resources. It is estimated that staff time from all business units would be valued at between \$250K and \$500K for the lead-up and duration of the event.
- 4.5. Based on December 2012 figures, revenue lost from known promised cash contributions could be \$117,000. Total in-kind/offset support lost could be \$40,000. Combined, this represents a total loss of possible revenue/offsets of \$157,000. Currently, whilst cash contributions have been promised, no monies have been received, so there is no liability to return funds.

The Manager, Corporate Services, is currently looking at contracts with artists and sponsors, as there are termination clauses, which may reduce our monetary obligations. However, for reputational purposes we may still wish to look closely at each commitment, and pay some level of compensation whether or not there is a legal obligation to do so.

Conclusion

[REDACTED] has concerns about reputational risk. She believes that reputational damage in the cultural industry and with sponsors, partners and media would be significant. Immediately, the damage would be with the artists and curators involved directly with Outpost, many of whom have had this event in their schedules since June.

The Trust has worked extremely hard to promote the Trust and Cockatoo Island through Outpost by building external relationships for campaign support and longer-term benefits. By cancelling Outpost 2013 these brands and media partners may lose confidence in working with the Trust on future projects. [REDACTED]

[REDACTED] The Outpost Prize is currently being promoted by media partner Triple J. However, the Trust could consider maintaining this element with Triple J's agreement.

It is possible to overstate the loss of reputation with key event stakeholders. It is fair to say that in light of our May 2012 optimism, the current level of sponsorship commitments is disappointing. If the current level of commitments is a guide, then the potential youth market sponsors do not regard Outpost as a significant benefit. The risks can be mitigated by the manner in which the decision is communicated to sponsors and stakeholders.

Should the Trust decide to cancel (or defer for an extended period) then the Executive Director and Deputy Executive Director would personally make contact with all sponsors, media partners, artists and curatorial partners to discuss the Trust's decision. [REDACTED]

[REDACTED]

BOARD IN CONFIDENCE

Importantly, the Trust needs to decide whether the \$1M cost of avoiding these reputational risks is worth it in the context of a looming deficit.

In conclusion, it is considered that the risks of proceeding with Outpost far outweigh the risks of cancelling/deferring and that doing so opens the opportunity to better plan for the future.

[REDACTED]

Prepared by: Susan Culverston

Date: 17 December 2012

Geoff Bailey
17 December 2012