

**Meeting:** Council

**Title:** Walkerville Bowling & Community Club  
Status Report No. 2 (2015)

**Responsible Manager:** Chief Executive Officer  
Kiki Magro

**Author:** General Manager, Acting  
Heather Barclay

**Type of Report:** **Decision Required**

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Item No: 16.1.1

File No: 16.85.1.2

Date: 15 June 2015

Attachment: A, B, C & D

### **Recommendation**

Pursuant to Section 83(5) of the Local Government Act 1999, the Chief Executive Officer indicates that the matter contained in this report may, if the Council so determines, be considered in confidence pursuant to Section 90(2) of the Local Government Act 1999 on the basis that the information contained in the attached report is information of the nature specified in subsections 90(3) (d) of the Act being:

Information the disclosure of which -:

- (i) could reasonably be expected to prejudice the commercial position of the person who supplied the information, or to confer a commercial advantage on a third party; and
- (ii) would, on balance, be contrary to the public interest;

### **Recommendation (Public)**

Pursuant to section 90(2) of the Local Government Act 1999 the Council orders that all members of the public, except, Chief Executive Officer, Kiki Magro, General Manager (Acting) Heather Barclay, Protocol & Compliance Officer, Deb Bria, Manager Planning & Infrastructure, Brad Wilmott, Manager Community Service, Fiona Deckert, Financial Controller, Manna Montu Abraham & Property & Contracts Officer, Ganesh Krishnan be excluded from attendance at the meeting for Agenda Item No.16.1.1 Walkerville Bowling & Community Club, Status Report No. 2 (2015).

The Council is satisfied that, pursuant to section 90(3)(d) of the Act, the information to be received, discussed or considered in relation to this Agenda Item is information the disclosure of which could reasonably be expected to prejudice the commercial position of the person who supplied the information, or to confer a commercial advantage on a third party.

In addition, the disclosure of this information would, on balance, be contrary to the public interest. The public interest in public access to the meeting has been balanced against the public interest in the continued non-disclosure of the information. The benefit to the public at large resulting from withholding the information outweighs the benefit to it of disclosure of the information. The Council is satisfied that the principle that the meeting be conducted in a place open to the public has been outweighed in the circumstances.



## **Recommendation (Confidential)**

**Moved:**

**Seconded:**

That Council resolves - :

- 1) To receive and note the independent financial analysis report of the Walkerville Bowling & Community Club for the Town of Walkerville, by Moore Stephens (May 2015).
- 2) To provide a copy of the financial analysis report of the Walkerville Bowling & Community Club for the Town of Walkerville, by Moore Stephens (May 2015), to the Walkerville Bowling & Community Club for their reference, together with an outline of the proposed 'next steps' as defined herein (Agenda Item 16.1.1, of 15 June 2015 OCM).
- 3) To receive and endorse the Memorandum of Understanding (MoU) established to underpin the financial assistance provided by the Council to the Walkerville Bowling & Community Club, in-line with its resolutions on 18 May 2015, and;
- 4) Authorises the Chief Executive Officer to execute the MoU for and on behalf of Council.

## **Recommendation (Confidential)**

**Moved:**

**Seconded:**

Pursuant to  
s.91(7)

That having considered Agenda Item 16.1.1, Walkerville Bowling & Community Club, Status Report No. 2 (2015) in confidence under section 90(2) and (3)(d) of the Local Government Act 1999, the Council, pursuant to section 91(7) of that Act orders that the Agenda Item 16.1.1, Walkerville Bowling & Community Club, Status Report No. 2 (2015) and any other documentation relative to the report including minutes in relation to this Agenda Item 16.1.1, be retained in confidence until the matter has been finalised, and that pursuant to Section 91(9)(c) of the Local Government Act 1999 the Council delegates to the Chief Executive Officer the power to review and revoke this Order.

and;

That Council resolves to end its confidential deliberations pursuant to Section 90(2) of the Local Government Act 1999 Council and re-admit the public.

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## **Purpose of Report**

The purpose of this report is to provide a status up-date to Members regarding actions taken towards assisting the Walkerville Bowling & Community Club, as a result to Councils decisions at its Meeting held on 18 May 2015.

## **Relevance to Strategic Plan and / or Corporate Plans**

Living in the Town of Walkerville

### **A Lively Local Culture**

#### **Objective 1**

Encourage active community involvement in events, activities and places.

#### **Objective 2**

Promote and support diverse cultural values, heritage and identity.

### **Background**

At its Ordinary Meeting on 18 May 2015, Council resolved the following in relation to this matter;

#### **Resolution: CNC360/14-15:**

“That Council resolves:

1. To Agree in principle to financially assist Walkerville Bowling Club’s at its request,
  - a) by making re-payments of the loan on Walkerville Bowling Club’s behalf until 31 December 2015; and
  - b) Subsidise 50% of wage payments to the Walkerville Bowling Club’s employee, the greens keeper, from 1 May 2015 (to be back dated) to 31 August 2015.
2. To wait on the report from the independent financial assessor for Administration to present a further Confidential Report (in either the June or July Council Meeting) on the viability of the Walkerville Bowling Club and possible financial models for the Walkerville Bowling Club to adopt moving forward;
3. For Administration to present in the aforementioned Confidential Report, a draft agreement to be executed between Council and Walkerville Bowling Club, that sets out the terms of the financial assistance to the Walkerville Bowling Club as set out in point 1; and
4. For Administration to notify Walkerville Bowling Club of Council’s resolution from this Council meeting”.

The purpose of this report is to provide a status up-date to Members regarding actions arising from its decisions on 18 May 2015, in particular, in relation to;

- a) Advice to the Walkerville Bowling & Community Club since Council’s decision;
- b) The financial assessors report of the Walkerville Bowling & Community Club financial position (viability);
- c) Next steps towards the development of potential future models, options and opportunities for the Walkerville Bowling & Community Club, and;
- d) The proposed Agreement / Memorandum of Understanding to underpin the financial assistance provided by the Council to the Walkerville Bowling & Community Club.

## Issues for Consideration

### a) Advice to the Walkerville Bowling & Community Club re: Councils Decision.

Following the Council decision in May 2015, to financially assist the Walkerville Bowling & Community Club, the Chief Executive Officer formally advised the Club, of Councils decision in writing, **refer Attachment A**.

Further, the Mayor and Chief Executive Officer met with the Club, President and representatives on Friday, 22 May 2015, to personally provide advice to the Club, of Councils favourable decision.

The messaging at the meeting was focussed around a desire to work with the Club to examine all available opportunities and options with the Club towards continued longevity. It was however pointed out that if the Club keeps doing the same thing; in the same way; any future viability would not be realised and the benefits of the short term financial assistance would be lost. In addition, it was noted that the Club needed to be open to new ways of doing things and be responsive to change to address their current financial position and dilemma.

Realistic business planning for the short, medium and longer term was recommended as a way forward.

A Media Release was subsequently issued jointly by the Council and the Walkerville Bowling & Community Club, acknowledging the Council assistance and the collaboration towards future sustainable operations, refer **Attachment B** (Media Release).

### b) Financial Assessors Report

Members are advised that the independent financial assessors report (the report) has now been received, **refer Attachment C**. The following provides a summary of the assessors report for Members reference;

(\*It should be noted that the report has been developed on information provided by the Club only, and it relies entirely on that information being a true and correct record of the Clubs finances, in forming its view)

- i. The operating result for 2014/15 will be in the order of (\$20K)
- ii. The analysis of profitability refers; that Club Membership is in considerable decline and 'functions' and 'events' is an opportunity that is also currently in decline.
- iii. It is noted that the Club is 'not for profit', but the Club should derive income sufficient to fund its operations and commitments, which is currently not the case
- iv. Profitability projections and forecasting for 2015/16 are unrealistic, proposing a 33% increase in revenue with no apparent plan to achieve that outcome, other than an expectation of increased functions. The report refers, that 'significant operating turnaround' would be required
- v. Based on recent figures, the report refers, that the operating result for 2015/16 would likely be in the order of (\$23K), without intervention
- vi. The net equity position is reliant upon stock and plant and equipment realising its value if sold, accordingly, the position, under a 'write-down' on these items, and relying on cash equity alone, would mean current cash reserves would barely cover liabilities (Loans and Long Service Leave). This factor combined with a deficit as expected in 2015/16 (without intervention), would severely impact solvency and viability of the Club. The report refers, if the results of 2014/15 are repeated, the clubs financial position would become unviable

- vii. A 33% increase in functions and membership, noting expenses aligned to increased events, could result in a near balanced position for 2015/16, however a more significant marketing effort would be required (which is unfunded, under this scenario), combined with increased resource allocation to achieve that outcome. It is not known whether the magnitude of resources required are within the Club
- viii. The report refers that financial assistance in the short term (“to fend off short term viability issues”), together with longer term assistance (marketing and resources) will be required.
- ix. Across the board revenue growth of 26% may be required to ‘break-even’, which will be a stretch without assistance
- x. Any increase in ‘rent’ would impact negatively on the current financial position of the Club, and accelerate its decline

The overarching future ‘picture’ for the Walkerville Bowling & Community Club, based on the financial assessors report, is grim, at the least, without intervention and significant turn-around.

c) Next steps towards the development of potential future models, options and opportunities for the Walkerville Bowling & Community Club

Next steps towards intervention are (broadly) proposed as follows;

- 1) The independent assessor, has (already) been engaged to undertake a phase 2, body of work, to investigate and explore revenue generating options for consideration (by Council and the Club);
- 2) The Council Administration will investigate the operations of nearby successful clubs, including their activities, operations, resourcing and methods for attracting membership, and functions (for consideration by the Council and the Club);
- 3) The Council Administration will discuss the matter with adjoining Councils to understand how they have acted in similar situations;
- 4) Further to the above, an opportunities report will be prepared (by the Council Administration) and be discussed with the Walkerville Bowling & Community Club, and the outcomes of those discussions will be presented to Council for consideration;
- 5) Once there is agreement on the way forward, the focus will be to develop a business plan in consultation with the Club, including a clear view of activities, the new operating model and of roles and responsibilities (by Council and the Club).

The final focus of this piece of work will be to implement the business plan and monitor success or otherwise and review operations as required.

Together with ‘implementation’ of the business plan, and concurrently with the above, Council will seek to enter into new lease arrangements, contextual with the new operating model.

d) Memorandum of Understanding to underpin the financial assistance provided by the Council to the Walkerville Bowling & Community Club.

In line with Councils resolution in May 2015, that an Agreement be established to underpin the financial assistance provided by the Council to the Walkerville Bowling & Community Club, Members are advised that a Memorandum of Understanding has been prepared for

this purpose and is presented for consideration and adoption by Council, prior to it been presented to the Club for execution.

The proposed Memorandum of Understanding (MoU) is contained in **Attachment D** for Members reference.

Subject to Council adoption of the MoU, it is recommended that the Chief Executive Officer be authorised to execute the MoU, for and on behalf of Council, pursuant to a resolution to do so.

### **Options for Consideration**

#### Option 1

It is recommended that Council;

- 1) Receives and notes the independent financial analysis report of the Walkerville Bowling & Community Club for the Town of Walkerville, by Moore Stephens (May 2015).
- 2) Provide a copy of the financial analysis report of the Walkerville Bowling & Community Club for the Town of Walkerville, by Moore Stephens (May 2015), to the Walkerville Bowling & Community Club for their reference, together with an outline of the proposed 'next steps' as defined herein (Agenda Item 16.1.1, of 15 June 2015 OCM).
- 3) Receives and endorses the Memorandum of Understanding (MoU) established to underpin the financial assistance provided by the Council to the Walkerville Bowling & Community Club, in-line with its resolutions on 18 May 2015, and;
- 4) Authorises the Chief Executive Officer to execute the MoU for and on behalf of Council.

#### Option 2

Alternatively, Council may;

- 1) Receive and note the independent financial analysis report of the Walkerville Bowling & Community Club for the Town of Walkerville, by Moore Stephens (May 2015).
- 2) Provide an outline of the proposed 'next steps' to the Walkerville Bowling & Community Club as defined within Agenda Item 16.1.1, and including the following actions;
  - a) .....
  - b) .....
  - c) .....
  - d) .....
  - e) .....
- 3) Receive and endorse the Memorandum of Understanding (MoU) established to underpin the financial assistance provided by the Council to the Walkerville Bowling & Community Club, in-line with its resolutions on 18 May 2015, and;
- 4) Authorise the Chief Executive Officer to execute the MoU for and on behalf of Council.



## **Analysis of Options**

### Option 1

Option 1, herein, sees the Council receive and note the Moore Stephens financial analysis of the Walkerville Bowling Club, and provides full disclosure of the content to the Walkerville Bowling & Community Club.

In addition, Option 1, discloses (to the Walkerville Bowling Club), the Council proposed actions towards assisting the Walkerville Bowling & Community Club.

Further, Option 1, will provide an instrument of agreement (executed by the CEO), which confirms the terms of the financial assistance provided by Council in-line with its resolutions regarding this matter on 18 May 2015.

### Option 2

Option 2, herein, sees the Council receive and note the Moore Stephens financial analysis of the Walkerville Bowling Club, and does NOT disclosure of the content of the same to the Walkerville Bowling & Community Club.

In addition, Option 2, discloses (to the Walkerville Bowling Club), the Council proposed actions towards assisting the Walkerville Bowling & Community Club.

Further, Option 2, will provide an instrument of agreement (executed by the CEO), which confirms the terms of the financial assistance provided by Council in-line with its resolutions regarding this matter on 18 May 2015.

## **Financial and / or Risk Implications**

### Financial

Council's May 2015 decision regarding this matter will require that budget adjustments are made to the 2014/15 budget and 2015/16 draft budget, to facilitate absorption of loan costs to 31 December 2015, and to make payments to the Walkerville Bowling & Community Club for green keeper's wages.

Other financial implications include the cost for the independent financial assessment (Phase 1 report, herein), and Phase 2 report, on options and opportunities to be provided by Moore Stephens.

In addition, internal services will be impacted by re-allocating resources to assist/support the Walkerville Bowling Club (as outlined in this report). These costs will be absorbed in general operating expenses, but redirection of resources invariably has impacts on other services.

### Social

The health and wellbeing of Community Clubs and Services is at the 'core' of community life and engendering a strong sense of community. To take no action towards supporting 'not for profit' community clubs would not be aligned to Councils Strategic Plan. However, a continuum of non-performance should not be supported at the expense of the community purse and a balanced approach is required to ensure equity and fairness.

## Environmental

Environmental impact of the Walkerville Bowling Club on energy and resources should be considered in the context of a reducing environmental footprint and costs.

In particular the cost of water and power and opportunities to reduce these overheads should be explored.

## Governance

This report discusses next steps, including the development of a new operating model and business plan. This together with development of new lease arrangements, contextual with the new operating model will provide a strong basis for management of operations.

## Preferred Option & Reasoning

It is recommended that Option 1 be adopted to support collaboration towards the development of a new model for the Walkerville Bowling and Community Club;

refers;

It is recommended that Council;

- 1) Receives and notes the independent financial analysis report of the Walkerville Bowling & Community Club for the Town of Walkerville, by Moore Stephens (May 2015).
- 2) Provide a copy of the financial analysis report of the Walkerville Bowling & Community Club for the Town of Walkerville, by Moore Stephens (May 2015), to the Walkerville Bowling & Community Club for their reference, together with an outline of the proposed 'next steps' as defined herein (Agenda Item 16.1.1, of 15 June 2015 OCM).
- 3) Receives and endorses the Memorandum of Understanding (MoU) established to underpin the financial assistance provided by the Council to the Walkerville Bowling & Community Club, in-line with its resolutions on 18 May 2015, and;
- 4) Authorises the Chief Executive Officer to execute the MoU for and on behalf of Council.