
World Youth Day Co-ordination Authority

AUDIT OPINION

The audits of the Authority and its controlled entity's financial reports for the year ended 30 June 2008 resulted in unqualified Independent Auditor's Reports.

Unless otherwise stated, the following commentary relates to the consolidated entity.

KEY ISSUES

Cost of World Youth Day Event

The initial cost estimate for the event was \$20.0 million, based on information available at the time of the feasibility study in 2003, and for 150,000 registered pilgrims. The budget for State Government services was revised to \$89.2 million in February 2007, based on an independent assessment of the likely cost of those services, and a revised expectation of pilgrim registration numbers.

In January 2008, funding was approved to secure Randwick Racecourse for the event. State Government funding totalled \$23.0 million, and the Commonwealth Government contributed \$20.5 million. In addition, WYD08 (Catholic Church) agreed to contribute \$10.0 million. The final revised budget was \$142 million.

At 30 September 2008, actual expenses incurred by the Authority totalled \$108 million. Management estimates expenses for the period 1 October to 31 December 2008 are likely to be \$12.6 million. Total expenditure on the World Youth Day event is therefore expected to be approximately \$120 million, which is significantly higher than the 2003 original budget, but some \$22.0 million less than the final revised budget.

The estimated cost, however, does not include some incidental costs incurred by other government agencies which were not charged to the Authority, as noted below.

Service agreements were in place between all venue owners and the Authority, outlining their respective roles and responsibilities, including various costs. Management advised the Authority made good any damage caused by the public during the event, and that only minimal damage had occurred during the event.

Payments to Other Government Agencies

The Authority paid for services provided by other government agencies on a marginal cost basis. Marginal cost comprises the full salary cost of those staff seconded from other agencies to the Authority; overtime worked by other government agency staff in relation to World Youth Day matters; and the salary costs of those staff in other government agencies whose substantive positions had to be backfilled.

Some incidental costs incurred by government agencies were not charged to the Authority, and therefore not recognised in the Authority's financial report (i.e. at various times other government agency staff worked on World Youth Day related activities as part of their normal duties).

In the case of the NSW Police Force, the Authority largely paid for the overtime worked by police officers on duty for World Youth Day, however, those officers remained under the control of the NSW Police Commissioner, and not under the authority of the *World Youth Day Act 2006*. As such, they were also available, and did attend to, other public matters. Some in-kind services were consequently received from the NSW Police Force. The cost of these services does not appear in the Authority's financial report as the value could not be reliably determined.

Access Agreement - Randwick Racecourse

Under the Access Agreement (the Agreement) for World Youth Day 2008, payments of \$41.1 million were made to the racing industry to secure access to Randwick Racecourse (the Racecourse) for the World Youth Day event. Payments were funded 50 per cent by the State Government and 50 per cent by the Commonwealth Government, including costs associated with relocating horses and trainers, \$10.0 million. The Agreement includes a defects liability period, in case racing cannot be held at the Racecourse anytime between 6 September 2008 and 31 December 2008, because of event related matters. The Agreement stipulates an amount to be paid to the Australian Jockey Club in such an event. Management advised that, given the extensive risk mitigation measures put in place by the Authority to protect the training and racing surfaces at the Racecourse, a claim is considered to be highly unlikely.

The Authority advised that the decision to use the Racecourse for the Papal Mass was determined after an exhaustive analysis of over 18 sites. The Racecourse was deemed the best option against three principal criteria, namely transport service capacity; venue capacity; and overnight temperature.

Turf Replacement Costs

The Authority has grown special turf to rectify any damage to the racing and training surfaces at the Racecourse caused by World Youth Day. The cost incurred by the Authority in growing the turf was \$2.3 million. The Authority advised that it is currently negotiating with prospective buyers to sell any surplus turf.

Comparison of Costs to Past World Youth Days

In relation to the size of the State Government's contribution toward World Youth Day, compared with past World Youth Days in Cologne and Toronto, the full cost of government services provided in support of the Cologne and Toronto events cannot be reliably determined. The Authority advised that, given the different levels of support and approaches taken by the respective governments, as well as the different structural arrangements in each country, a direct comparison cannot be reliably made.

In relation to the finalisation of agreements as to costs between the State and WYD08 (Catholic Church), all agreements were finalised before the event.

Cost Benefit Analysis

DSRD undertook an Economic Impact Analysis (EIA) for New South Wales for hosting the World Youth Day event. The EIA report, dated 5 October 2006, estimated 'the gross total direct and flow-on value added' to New South Wales from hosting the event to be \$152 million. The estimate was qualified by DSRD however, for the following:

- as the costs of the State Government were unable to be confirmed with sufficient confidence to include, the estimates would need to be adjusted as the costs became available to account for this significant contribution, and
- the economic impact estimate did not include potential benefits from additional tourism, business generated, any international media coverage and intangible costs such as business disruption.

We recommend DSRD or the Department of Premier and Cabinet undertake a post implementation review, including a cost/benefit analysis, now that the costs incurred by the State Government are sufficiently known, and the other factors included in the above qualification are also better known. The Review report should be published.

A post event survey was recently conducted by the Authority. The survey showed:

- the Authority succeeded in creating wide awareness in Sydney before the event
- the event drew a diversity of visitors from across the world
- pilgrims left Sydney with positive feelings towards Sydney
- the event attracted many people to Australia who would not otherwise have come
- on average each survey respondent spent \$5,000 in Australia
- many interstate and international pilgrims expect to revisit Sydney and Australia in the future, and
- strong positive word of mouth is anticipated for Sydney and Australia as travel destinations.

Wind Up of the Authority

The Authority and the Office of World Youth Day Co-ordination Authority are due to cease operations on 31 December 2008, as the *World Youth Day Act 2006* is scheduled to be repealed on 1 January 2009. As a result, the financial reports were prepared on a realisation basis and not a going concern basis.

FINANCIAL INFORMATION

Abridged Operating Statements

Period ended 30 June	Consolidated		Authority	
	2008 \$'000	2007* \$'000	2008 \$'000	2007* \$'000
Employee related	3,138	708	--	--
Personnel services expenses	--	--	3,138	708
Grants and subsidies	42,024	--	42,024	--
Other expenses	17,645	1,804	17,645	1,804
TOTAL EXPENSES	62,807	2,512	62,807	2,512
TOTAL REVENUE	10,537	8	10,739	99
NET COST OF SERVICES	52,270	2,504	52,068	2,413
Government contributions	68,877	2,493	68,675	2,402
SURPLUS/(DEFICIT)	16,607	(11)	16,607	(11)

* Seven month period.

Employee related expenses and other expenses increased due to a rise in expenditure as the World Youth Day event drew closer, and for a full 12 months in 2007-08, as opposed to seven months in 2006-07. The event took place from 15 to 20 July 2008.

Grants and subsidies include the payments made to the racing industry of \$41.1 million to secure access to the Racecourse. Refer to 'Key Issues' section above for further details.

Revenue comprises \$10.0 million received from WYD08 (Catholic Church) as a contribution for the use of various venues during the event.

Abridged Balance Sheets

At 30 June	Consolidated		Authority	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Current assets	18,899	335	18,899	335
Non-current assets	266	470	266	470
TOTAL ASSETS	19,165	805	19,165	805
Current liabilities	2,552	798	2,552	799
Non-current liabilities	--	1	--	--
TOTAL LIABILITIES	2,552	799	2,552	799
NET ASSETS	16,613	6	16,613	6

Assets and liabilities increased largely due to the increased activities of the Authority leading up to the event in July 2008.

AUTHORITY ACTIVITIES

The principal function of the Authority was to develop policies, strategies and plans for the delivery of, and to coordinate and manage the delivery of, integrated government services for World Youth Day events.

The Authority was established under the *World Youth Day Act 2006*. The Act will be repealed on 1 January 2009.

CONTROLLED ENTITY

The following controlled entity has not been reported on separately as it is not considered material by its size or the nature of its operations to the consolidated entity.

Entity Name

Office of the World Youth Day Co-ordination Authority