

Zealandia proposal

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Proposal summary

The Karori Sanctuary Trust Board (which trades as Zealandia) has expressed to the Council a desire to address balance sheet pressure and amend its governance arrangements. These discussions began soon after the appointment of the current Trust Board in 2012 and have progressed to a formal proposal from the Trust Board to the Council's Chief Executive.

The Trust has proposed that the Council purchase the Visitor Centre building to allow the Trust to repay its \$10.34 million loan to the Council. If approved, the transaction results in a \$10.34 million capital spend not currently budgeted in the 2015–25 Long-term Plan but does not increase the Council's current debt funding requirement. This capital spend would be considered as part of the 2016/17 Annual Plan deliberations. The proposal would also result in a non-cash gain of \$5.6 million, as a result of the write-up of the loan in the Council's balance sheet.

The proposal requires that the Trust will maintain the building. The transaction is largely neutral, ie the interest cost of the loan is unchanged in the exchange for the building. However, the Council's policy is to rates fund depreciation. This would result in an additional \$260,000 per annum from 2016/17 in rates funding requirement to fund depreciation on the Visitor Centre building.

In considering the next generation of the Trust's development, and in the context of the proposed sale of the Visitor Center to the Council, the Trust has proposed that the Guardians provide nominations to the Council for future board appointments while the Council will have the ability to appoint future board members. The Trust Board unanimously and firmly believe that having the Guardians involved in nominations for the future Trust Board members with the Council appointing the future Trust Board members is a positive step for Zealandia, both in terms of its future governance and in responding to the relationship with Wellington City Council. The Guardians, by majority, are willing to approve these changes.

If approved, this would change the designation of the Trust, in terms of the Local Government Act 2002, from a Council organisation to a Council-controlled organisation.

The Deed of Amendment and a Memorandum of Understanding that would document the nominations and appointments process have been drafted. Both the Trust Board and the Guardians are in agreement that the documentation is ready for signing if the proposal is approved by the Council.

Background information

The Trust was established in 1995 (and is governed) by the Trust Deed of the Karori Sanctuary Trust as amended by unanimous decisions of the Trust Board on 21 April 1998, 16 February 1999, 17 October 2007, 25 June 2009 and 21 December 2012.

In 2012 the Trust sought additional funding from the Council, which was granted subject to a review of the Trust's governance and management structures. The financial contribution by the Council to funding the activities of the Trust is \$1.55 million per annum, comprised of an \$875,000 operating grant, \$640,000 interest-free loan and \$35,000 other costs.

Changes to the Trust Deed in 2012 were agreed between the Trust Board and the Council as a result of the review process referred to above. Since then, the Trust Board has overseen a turnaround in the operational and financial performance of Zealandia and the business is now trending positively under capable and experienced management.

The formal proposal put forward by the Trust advises the Council that it does not anticipate that it will be in a position to repay its loan and expects that its liabilities will soon exceed its assets as a result of depreciation, causing the book value of the Visitor Centre to diminish annually.

The Trust has proposed that the Council purchase the Visitor Centre building in return for the Trust repaying its \$10.34 million loan. The 25-year limited recourse loan was to fund the building of the Visitor Centre at Zealandia and was intended to be repaid by 2040 via the Trust's "surplus funds", if any. Since the loan was advanced in 2007, the Council has not received any repayment of the loan by the Trust.

In April 2015 the Trust celebrated its 20th anniversary since its establishment. The Trust Board and Guardians are now looking at the next phase of the Trust's evolution and the opportunities and challenges this will bring. The Guardians have indicated their willingness to approve the Trust Deed changes.

In considering the next generation of the Trust's development and in the context of the proposed sale of the Visitor Center building to Council, the Trust Board has proposed a refinement to the future appointments process for the Trust Board. The Trust has recommended that the Guardians provide nominations to the Council for future board appointments while the Council appoints future board members. The Guardians have indicated their willingness to approve the Trust Deed changes.

This refinement to the Trust's governance framework is considered by the Trust Board to provide a more cohesive structure for the future governance of the Trust and to give the Council full confidence in the future governance of the Trust. It will also further strengthen the operating partnership between the Trust and the city. The proposal does not bind the Council to appoint the Guardians' nominees but to engage the Guardians in the process of appointing the future board members. This process has been agreed with the Guardians and will be documented by way of a Memorandum of Understanding between the Guardians and the Council.

The Trust's proposal to the Council

The Trust Board has made a proposal to the Council that has two parts that are intended to strengthen the Trust's balance sheet and its governance framework.

Visitor Centre

The Trust Board has advised the Council that it cannot foresee the Trust being able to repay its \$10.34 million loan from Council. The Trust proposes that the Council acquire the Visitor Centre building in consideration of the amount of its loan to the Trust, which would be repaid under this arrangement.

Depreciation on the Visitor Centre building and exhibition is forecast to cause the Trust's equity to become negative by the year ended 30 June 2018 and the Trustees are concerned that this is an unsustainable situation, which will be unhelpful for both the Trust and the Council.

The Government's \$6.5 million investment in the construction of the Visitor Centre was made pursuant to a Crown Significant Community Based Project Grant Agreement. The Trust Board has communicated with the Department of Internal Affairs in relation to the potential sale of the building and has confirmed that there will be no negative financial consequences for the Trust in relation to the sale of the building to the Council.

Governance

At present the Trust Board consists of a minimum of five and a maximum of seven people. The Council has the right to appoint up to two Trust Board members. The Guardians have the right to appoint three Trust Board members. Up to two additional board members may be co-opted by the Trust Board.

After careful evaluation of the Trust's long-term sustainability, the Trust Board developed the view that a change to the appointment processes for the Trust Board would advantageously strengthen the relationship with the Council while retaining a significant and distinctive role for the Guardians.

Under the Trust's proposed amendments to the Trust Deed, the Guardians shall be entitled to participate in the appointment of the future Trust Board members via a nominations process with the Council. The Council will appoint the future Trust Board members either from the Guardians' nominees or via the Council's existing board appointment processes.

This is intended to minimise any potential divisions or "us and them" that could develop in future between Council appointees and Guardian appointees under the current arrangements. The Trust Board believes this will provide a stronger and more cohesive framework for the future governance of the Trust and, if required, the Guardians are willing to approve the Trust Deed changes. The Trust Board also believes that the governance changes will help forge a deeper operating partnership between the Council and the Trust, reflecting the Trust's position as an essential part of the city's natural infrastructure, which serves the city's strategic aims.

The proposed amendment to the Trust Deed would allow the Guardians to provide nominations for the future Trust Board members with Council having the ability to appoint the future Trust Board members. If approved, this would change the designation of the Trust, in terms of the Local Government Act 2002, from a Council organisation to a Council-controlled organisation.

Under the Trust Board's proposal, the Trust Board shall still consist of a minimum of five and maximum of seven people, with up to six appointed by the Council and up to two people co-opted by the Trust Board. This responds to the Guardians' request that the Trust Board not be permitted to reach up to nine members but retains the Trust Board's ability to co-opt members, if required, in consultation with the Council.

Stakeholders

The Council:

The Council is the most significant financial stakeholder in Zealandia, with a current annual contribution of approximately \$1.55 million (or \$15.5 million during the course of the Council's 2015–25 Long-term Plan). Over the course of the Long-term Plan, the average annual cost to the Council is comprised of an operating grant of \$875,000 plus interest totalling approximately \$640,000 and other costs of \$35,000.

The Council is likely to remain committed to this activity for the long term and this is recognised in the 2015–2025 Long-term Plan. The current grant funding recognises that there is no long-term future for Zealandia that does not involve an ongoing and material financial commitment to the Trust by the Council.

Members and volunteers:

The other financial stakeholder in Zealandia is its membership base of approximately 10,000 individual members, which earns the Trust revenue of approximately \$280,000 per annum. In addition, a loyal base of over 400 volunteers holds a meaningful in-kind stake in Zealandia. The Zealandia volunteers contribute their time to the conservation and restoration work that underpins the sanctuary's existence. Zealandia also recognises three Patrons who were involved in its establishment.

The proposal has been communicated openly to the membership and volunteers by the Trust Board and was discussed extensively with the Guardians. In developing its proposal the Trust Board has considered what, if any, future impact the proposed changes could have on gaining and retaining the long-term support of volunteers and members. The Trust Board believes that the proposal supports the continuation of the Trust as a flourishing community enterprise, which actively seeks and fosters community support and participation through membership and volunteering.

The Trust also believes that the members and volunteers understand and value its close working partnership with Wellington City Council as an enduring feature of the Trust's future.

The Guardians:

Seven Guardians are appointed in accordance with clause 10.4 of the Trust Deed, with four representatives elected by Zealandia members, and appointments made by Victoria University of Wellington, Wellington City Council and the Wellington Tenth Trust. The main role of the Guardians is to safeguard the founding vision and strategic direction of the Trust, appoint up to three trustees to the Trust, and provide advice to the Trust, but not to have any role in the decisions concerning the day-to-day management of the Trust.

The Trust Board's proposal, which has the approval of the Guardians, will replace the Guardians' appointment role (for three trustees) with the role of providing nominations to the Council for all trustees.

Management and staff:

The Trust Board believes that there will be broad support for the steps that ensure the Trust's continuing sustainability and capacity to work towards its 500-year vision, and notes that the Trust's management and staff is supportive of the proposal.

The Loan from the Council to the Trust

A Funding Deed details the background and contains the terms of the \$10.34 million interest-free non-

recourse loan, including its repayment. The Funding Deed protects the Council's loan and clearly outlines the obligations of Trustees in terms of business planning and reporting. It also contains the powers for the Council to terminate the loan and the actions required for it to take ownership and control of the Visitor Centre.

Since the loan was advanced in 2007, the Council has not received any repayment of the loan by the Trust.

In the Council's financial statements to 30 June 2015, the Council's loan to the Trust has a nominal value of \$10,346,689 and is recorded in the Council's financial statements to 30 June 2015 at a fair value of \$4,675,000.

Generally Accepted Accounting Principles (GAAP) requires that the fair value movement on loans reflects the timing of their expected repayments and the interest-free nature of the loan. Over the remaining life of the loan, the fair value will be amortised back up to its full nominal value. This loan is currently scheduled to be fully repaid by the end of 2040.

The Visitor Centre

The Visitor Centre is a three-level building that was completed in 2009. It has a prominent raking glazed external wall to the western side. The lower level comprises the main entry with stairs and a lift providing access to the top two levels. The middle level accommodates the reception/ticketing area, retail shop plus main exhibition level. The top level has Rata Café to the southern end, featuring a balcony to the western side, together with the balance of the exhibition space at the northern end, which is also now usable as a seminar and functions space.

It is proposed that the Council will purchase the building for \$10.34 million (the value of the loan it is owed by the Trust). The Council will not purchase the chattels or building fit out (eg the retail fittings, the Rata Café fit-out or the exhibition). The chattels will continue to be owned, maintained and renewed by the Trust.

It is proposed that Zealandia's continued occupation of the Visitor Centre will be covered by way of a contract for services and that Zealandia will have continued occupation of the Visitor Centre based on the Trust maintaining its contract for services (ie still delivering the services that Zealandia currently delivers) at a peppercorn rental.

Under the Trust Board's proposal, Zealandia will meet the annual maintenance costs of the Visitor Centre. The Council has commissioned a condition assessment of the building to determine the expected maintenance and renewals programme for the building. The draft condition assessment indicates that the average maintenance costs for the Visitor Centre over the next 10 years is \$65,000 per annum.

The arrangement between the Council and the Trust as to how the annual maintenance is paid has not been finalised. The options are either:

- the Council meets the annual maintenance costs under its normal facilities maintenance contract with one of the Council's suppliers and the Trust reimburses the Council for the annual cost (eg via a deduction from its operating grant), or
- the Trust engages the same contractor on the same terms and pays the maintenance costs directly.

This detail will be finalised on the basis that the maintenance costs will be borne by the Trust.

The cost of building insurance that will transfer from the Trust to the Council as a result of the proposed purchase will also be borne by Zealandia in the same way as the building maintenance discussed above. Again, the mechanism for payment will be finalised in due course.

The capital renewals costs of the Visitor Centre will be funded by the Council and the resultant depreciation is discussed below under Financial Impact of the Proposal.

The Trust Deed

The Trust's proposal is to amend the Trust Deed and establish a mechanism that allows the Guardians to nominate the future Trustees for appointment to the Board, while giving the Council the right to make the appointments to the Board from the Guardians' nominees or other Council appointment processes.

The Deed of Amendment and a Memorandum of Understanding that would document the nominations and appointments process has been drafted. Both the Trust Board and the Guardians are in agreement that the proposed documentation is ready for signing if the proposal is approved by the Council.

The proposed governance changes would result in the creation of a Council-controlled organisation (CCO) in terms of Section 56 of the LGA 2002, which requires public consultation that may be undertaken as part of the annual plan.

Discussion

The Trust's Forecast Financial Position

Statement of Financial Position	Actual	Forecast*	Forecast*	Forecast*
	30-Jun-15	30-Jun-16	30-Jun-17	30-Jun-18
Total assets	15,366,000	13,024,000	11,924,000	10,861,000
Total liabilities	11,403,000	11,306,000	11,248,000	11,147,000
Equity	3,963,000	1,718,000	676,000	(286,000)

**Source: 2015-16 Statement of Intent*

At the current rate of depreciation the Trust's equity will erode from approximately \$3.9 million as at 30 June 2015 to negative during the financial year ended 30 June 2018. This outcome can be predicted with a relatively high level of certainty and was forecast in the Trust's 2015–16 Statement of Intent.

The table below sets out a forecast financial position based on the proposed building sale and loan repayment occurring during the financial year ended 30 June 2017.

Statement of Financial Position	Actual	Forecast	Forecast	Forecast
	30-Jun-15	30-Jun-16	30-Jun-17	30-Jun-18
Total assets	15,366,000	13,024,000	5,736,000	5,749,000
Total liabilities	11,403,000	11,306,000	875,000	871,000
Equity	3,963,000	1,718,000	4,861,000	4,878,000

The Trust expects to be able to meet the future maintenance costs of the building (average \$65,000 per annum over the next 10 years). The Trust's draft 2016/17 Statement of Intent forecasts an average net surplus before depreciation of just over \$300,000 for the years ended 30 June 2017 to 2019. The Trust's forecast net surplus before depreciation for the current year ended 30 June 2016 is \$320,000.

Financial Impact of the Proposal

If the Council chooses to take on the ownership of the Visitor Centre, then it is appropriate for the Council to start funding the depreciation of the asset. Funding depreciation would increase the Council support for this conservation activity by approximately \$260,000 in 2016/17. It would ultimately reduce the overall financial burden on Zealandia.

The tables below compare the 2015–25 Long-term Plan (LTP) funding to the indicative funding under this proposal.

Current LTP Funding

Account	000s										LTP Total
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	
Grants	875	875	875	875	875	875	875	875	875	875	8,750
Insurance	1	1	1	1	1	1	1	1	1	1	8
Depreciation	21	21	21	20	20	20	20	20	20	20	204
Rates expense	13	13	13	14	14	14	15	15	16	16	142
Interest expense	581	623	623	623	654	654	654	675	675	675	6,436
Total	1,490	1,532	1,532	1,532	1,564	1,564	1,565	1,586	1,587	1,587	15,539

Proposed LTP Funding Impact

Account	000s										LTP Total
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	
Grants	835	835	835	835	835	835	835	835	835	835	8,350
Insurance	41	42	43	44	45	46	47	48	50	51	456
Depreciation	21	288	288	288	288	288	288	288	288	288	2,612
Rates expense	13	13	13	14	14	14	15	15	16	16	142
Interest expense	581	615	599	583	595	578	561	561	544	526	5,742
Total	1,490	1,792	1,778	1,763	1,776	1,761	1,746	1,748	1,732	1,716	17,302

It is proposed the building purchase and loan repayment transactions occur in the 2016/17 financial year.

If the proposal is approved, a non-cash gain of \$5.6 million will be recognised. As the transaction is non-cash, it will be journalled in the financial statements for both parties.

The fair-value adjustment to the loan equates to \$5.6 million, as the value of the loan has previously been written down to reflect the net present value as repayment expectations have been extended.

The treatment of this transaction is in line with current Generally Accepted Accounting Principles (GAAP).

Governance

The Trust's proposal is designed to refine how the Trust's board appointments are made and to give Council full confidence in the Trust's long-term future governance.

The governance leg of the transaction will:

- give the Guardians the right to make nominations to the Council for up to six board appointments
- give the Council the right to appoint up to six members of the Trust Board (currently the Council appoints a minority of the Board).

The Trust Board can co-opt up to a further two members under special circumstances and in consultation with the Council. This feature exists in the current Trust Deed.

The proposal is considered by both the Trust Board and the Guardians to provide a cohesive framework that will ensure that the best possible governance for the Trust is achieved. It will leverage the capabilities and networks of all stakeholders, while giving the Council an appropriate level of confidence in the Trust's long-term future governance. The Guardians are willing to approve the Trust Board's intended changes to the Trust Deed.

The practicalities of how the Guardians will work with the Council's appointments processes has been discussed with the Trust Board and the Guardians and refined with input from both parties. It is to be documented by way of a Memorandum of Understanding between the parties.

The proposed Deed of Amendment that gives effect to the Trust's proposal has been reviewed by Council

officers, the Trust Board and by the Guardians, and all parties are in agreement and, if approved, are ready to sign the Trust Deed amendments.

Council-controlled organisation

A consequence of the governance leg of the Trust Board's proposal would change the status of the Trust from a Council organisation, where the Council has a minority influence, to a Council-controlled organisation (CCO), where the Council has overall governance control.

The Trust Board unanimously and firmly believes that having the Guardians involved in nominations of the future Trust Board members, with the Council appointing the future Trust Board members (aside from co-opted members as required) is a positive step for Zealandia, both in terms of its future governance and in responding to the relationship with Wellington City Council. The Guardians, by majority, are willing to approve these changes.

The creation of a CCO will mean that the entire operations and balance sheet of the Trust will be incorporated into the Council Group and reported as such in the Council's Annual Report.

Technically, this does not change the Council's responsibility in relation to the Trust's assets and liabilities, but may create a higher moral obligation. It is therefore important that the proposed financial restructuring of the Trust is sufficient to ensure the Trust can operate sustainably within the parameters of its existing funding arrangements.

Key points of the proposal

In terms of the building sale and loan repayment

From the Trust's perspective:

- In addition to extinguishing the Trust's \$10.34 million liability to the Council, the transaction reduces the Trust's annual depreciation charges. However, this is somewhat mitigated by the requirement that the Trust pay for the ongoing maintenance of the building based on the Council's asset maintenance protocols.
- The Trust's ongoing use of the building will be assured by way of a contract for services and an accompanying lease of the building to deliver the services.

From the Council's perspective:

- The proposal requires that the Trust will maintain the building.
- The transaction would result in a non-cash gain to the Council of \$5.6 million in the 2016/17 financial year.
- The Council's \$10.34 million purchase of the building results in a \$10.34 million unbudgeted capital overspend but does not increase debt funding.
- The transaction is largely neutral, on the basis that the Council is currently funding the associated debt related to the Visitor Centre and receives no interest payment from the Trust. However, the Council's policy to rates fund the building's depreciation will have the effect of reducing the \$10.34 million investment cost (which provides a saving in interest costs to the Council).
- The proposed LTP funding impact identifies an additional \$260,000 in 2016/17 to fund depreciation.
- Any future capital improvements to the building would be considered in the normal course of Council's planning and budgeting activities.

In terms of the Council appointing the Trust Board

From the Council's perspective:

- This aspect of the transaction provides a degree of risk mitigation to the Council that is commensurate with the Council's investment.
- Without this mitigation, at any stage in the future the Trust Board could make decisions that prove ill-advised and could further burden the Council (as the Trust's only material financial stakeholder).

From the Trust's perspective:

- The proposed governance arrangements recognise the growing maturity of the Trust (it was established 20 years ago) and the future benefits it will enjoy by strengthening its relationship with the Council in this way.
- The Guardians will have a meaningful role in the appointment of the future Trustees via its nominations process.
- The proposed governance changes are considered by both the Trust Board and the Guardians to provide a cohesive framework upon which to ensure that the best possible governance for the Trust is achieved by leveraging the capabilities and networks of all stakeholders, while giving the Council an appropriate level of confidence in the Trust's long-term future governance.
- If the Council does not appoint the Trust Board then Zealandia will always be treated differently to other Council-controlled organisations. In future, this position could be detrimental to the Trust in terms of its future capital and operational funding needs and to the other opportunities that a Council-controlled organisation might normally command.
- The 500-year vision for Zealandia is far-reaching and it is appropriate that its financial security is equally far-reaching. The proposed transaction supports this.

Options

Option 1: The Trust's Proposal

The Trust's proposal refines its governance framework to give the Council the right to appoint the Trust's Board, while allowing the Guardians to have a meaningful stake in the appointment of future Trust Board members. This refinement provides the Council with an appropriate level of risk mitigation that is commensurate with its long-term financial commitment to the Trust while drawing on the capabilities and networks of both the Council and the Guardians in forming future Trust Boards.

The Trust Board believes the shift from appointing a majority of the board (currently) to providing the Council with nominations for the future board members (proposed) is in the best long-term interests of the Trust.

The Trust will de-risk its balance sheet by selling the Visitor Centre building and repaying the loan, and the long-term future sustainability of Zealandia is more assured via its relationship with the Council. However, the building transaction alone changes the nature of the Council's investment in this activity and the governance changes proposed by the Trust will minimise the Council's investment risk (discussed further under Option 2).

The Trust's auditors view the Trust's proposal and the recommended option as a favourable outcome.

Option 2: The Visitor Centre transaction only

The building sale and loan repayment increases the Council's future capital expenditure risks (related to the building) and continues to expose the Council to a trading underwrite (the operating grant) for an activity over which it has some influence but only reactive controls in terms of the Trust Deed.

- Clause 29.1(d) of the Trust Deed grants the Council the power to "appoint and remove all trustees from the Trust Board" if the Council is not reasonably satisfied with the Trust's financial position (including but without limitation to the status of any loan facility).
- Clause 29.1(d) is designed to allow the Council to respond to events at the governance level whereas the Trust's proposal is designed to give the Council confidence in the future governance of the Trust while respecting the Guardians' nominations in the process. Either way, the Council would retain its reactive controls in terms of Clause 29.1(d).

Officers have considered the risk of the Council using its proposed powers of appointment to effectively disregard the Guardians' nominations or subvert the intentions of the Trust Board's proposal. This is considered unlikely but, regardless, any amendments to the Trust Deed require the Guardians' approval, which secures the role of the Guardians and the objects of the Trust. Officers consider it would be difficult for the Council to overpower the Guardians or the Trust in any way that is not already available to the Council. The Guardians continue to have a significant and distinctive role in guiding the Trust's future.

While the building sale alone would relieve the Trust's immediate balance sheet pressures it does not address the opportunities Zealandia would benefit from as a Council-controlled organisation. This status would support its activities through economic cycles over the long-term and is an important strategic

component of the Trust Board's proposal.

Option 3: The status quo

Retaining the status quo (ie do nothing) effectively puts the Trust in a difficult position in terms of its concerns regarding negative equity. While this may not be insurmountable, if the status quo was preferred in the short term there may be two potential mitigating options that could be considered. These scenarios are independent of each other and could be deployed within the next 2 to 3 years. However, the actual timing could be dictated by the Trust's auditors and trustees on the basis of balance sheet concerns.

- i. **Write-down or write-off the loan.** If the Council rejected the Trust's proposal to assume ownership of the Visitor Centre and accept repayment of its loan, then the Council would probably need to address the pressures created by its loan to the Trust. Discharging the Trust's obligations to repay its loan to the Council would provide the Trust with an immediate write-up of equity and strengthen its balance sheet. However, this option would not change the Trust's reliance on the Council to fund the operation of Zealandia now and in the future. Also, this option does not address the Trust's proposal to refine its board appointments process and governance arrangements.
- ii. **Letter of Comfort.** A potential (though untested) remedy to ensure that the Trust could continue to trade with negative equity in future could include the provision of a Letter of Comfort, or similar, by the Council. This scenario would effectively provide the Trust with open-ended support to its trading activities. Without the Council's control of the Trust Board, this scenario carries a higher financial risk to the Council than the Trust's proposal.

Cost to the Council

Option 1 (the Trust's proposal) is budgeted to incur \$260,000 additional costs to the Council as a result of rates funding the building depreciation. However, the annual maintenance costs for the building will be met by the Trust. This option also identifies that the cost of building insurance (estimated \$40,000 per annum) that the Council would be required to pay will be deducted from the Trust's operating grant, which reduces from \$875,000 per annum to \$835,000 per annum. The exact mechanism for the Trust reimbursing these costs that are incurred by the Council has not been refined yet, but the principle of the Trust reimbursing the costs is confirmed.

Option 2 (the purchase of the Visitor Centre building only) is similar to Option 1 except it carries an unquantifiable risk that arises as a result of the board and management taking the Trust in a direction that the Council is expected to fund but which it has no control over.

Option 3 (status quo) shows no change in the total costs to the Council but it also carries the unquantifiable risk of the board and management taking the Trust in a direction that the Council is expected to fund, but which it has no control over. This risk is not addressed by retaining the status quo.

Costs to the Council	Option 1	Option 2	Option 3
	Trust's Proposal	Visitor Centre only	Status quo
Operating Grant	835,000	835,000	875,000
Insurance	42,000	42,000	1,000
Depreciation	288,000	288,000	21,000
Rates	13,000	13,000	13,000
Interest (\$10.4m loan)	615,000	615,000	623,000
Total Direct Costs to the Council	1,793,000	1,793,000	1,533,000

