
ACTIVITY REVIEWS: - 3.1.1 FUNDER – GALLERIES AND MUSEUMS

1. Purpose of Report

In line with the requirements of the Local Government Act (LGA) 2002, the Wellington City Council is developing its 2006-09 Long Term Council Community Plan (LTCCP). As part of this process Council needs to review its activities to ensure that its work aligns with the outcomes the community seeks and delivers services to the community in the most effective and resource efficient way. This report has been prepared as part of the overall activity review process being conducted and focuses on the services provided by the Wellington Museums Trust under activity:

- 3.1.1 (Funder – Galleries and Museums)

2. Executive Summary

Responsibility for the provision of museums and galleries in Wellington is shared between central and local government. With Wellington being in the advantageous position of being the home of Te Papa, the responsibility for the provision of a major metropolitan museum largely resides with central government, with the Council currently supporting Te Papa to the tune of \$2 million per annum.

That has enabled the Council, through the Wellington Museums Trust (WMT), to focus its museum and gallery services on both the ‘Wellington’ story and nationally unique facilities such as the City Art Gallery. It has also enabled the Council to broaden its arts investments beyond museums and galleries towards more diverse and unique services, such as Capital E, the Wellington Arts Centre, the International Festival of the Arts and so on.

Generally speaking, the services provided by the WMT have a good strategic fit with Council’s draft strategic direction, particularly the cultural strategy. Museums and galleries are an important part of being a world class city (not to mention the arts and culture Capital), and local and national governments the world over are required to invest in them as the market will generally not provide the type or level of service wanted by the public. Private sector support is mainly by way of sponsorship.

It is recommended that, in general, service levels for the Wellington Museums Trust be retained. Wellington’s investment in museum and gallery services as a proportion of its revenue is modest in comparison with other New Zealand cities, and as such it does not appear that Council over-invests in this area. Costs per visitor appear to be on the low-middle side in comparison with similar facilities elsewhere in New Zealand. Performance levels also appear relatively solid, with visitor numbers continuing to increase.

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Lastly, it is recommended that the Council investigates establishing an 'Arts Wellington' internal business unit, which would involve bringing Capital E and the Wellington Arts Centre into Council, and integrating those services with some other existing arts services such as the Public Art Fund and arts grants. The drivers for this are:

- the strategic priorities of greater engagement with grass roots and youth arts and culture
- concerns over a lack of internal Council capability in the arts
- focussing the Wellington Museums Trust on museum, gallery and heritage/culture facilities.

3. Recommendations

It is recommended that the Committee:

1. *Recommend to Council that it agrees in principle to the establishment of an arts-focussed business unit in Council, based around the following services and functions: Capital E, the Wellington Arts Centre, Community Arts, the Public Art Fund, and advice on arts grants, to be consulted on through the draft 2006/07 LTCCP*
2. *Note that this would involve removing around \$1.3 million in funding from the Wellington Museums Trust, which is the proportion of Council funding that the Wellington Museums Trust currently allocates towards Capital E*
3. *Note that this would also involve revoking an earlier decision to establish a new CCO to govern the Wellington Arts Centre*
4. *Note that this proposal would be consulted on through the draft 2006/07 LTCCP process, and will be subject to the development of a more detailed proposal for a final decision by Council in June 2006*
5. *Agree that the Wellington Museums Trust should continue to deliver the City Gallery, the Museum of City and Sea, the Cable Car Museum, and the Colonial Cottage Museum without a reduction in service levels*
6. *Note that the Wellington Museums Trust will provide advice on the future of the Plimmers Ark project, and will also investigate the feasibility of broadening its portfolio of heritage facilities.*

4. Overview of the Activity

This section of the paper provides a general overview of the activity, including main functions/projects activities, key financial information, linkages and inter-dependencies with other activities/functions, and general performance trends/data.

4.1 History

The WMT was established in 1995 as a not-for-profit charitable trust under the Charitable Trusts Act 1957, and operates as a Council Controlled Organisation (CCO) under the Local Government Act 2002. The Trust is governed by a board and chair appointed by the Wellington City Council, and is required to include a Councillor on its board. It was established to promote and manage the City Art Gallery, the then Maritime Museum and the Colonial Cottage, and to re-shape and reopen Capital Discovery place (now Capital E).

Council's role is that of primary funder and asset owner, with the Trust aiming to deliver Council's strategic objectives. These are agreed between Council and the Trust. The WMT's vision and mission statements respectively are:

Making Wellington the ultimate arts and heritage destination in New Zealand as a place to live and a place to visit

To lead the cultural development and contribute to the economic development of the Capital

4.2 Services

The WMT is responsible for the following facilities and associated programmes and services:

- **The City Gallery Wellington.** The gallery is unique in New Zealand, strongly defined by the fact that Wellington is home to the National Art Collection managed by Te Papa. Because of that, Wellington has not historically maintained a museum-quality civic collection like all other major centres in the country. The City Gallery has therefore been positioned as a non-collections gallery, focussing on contemporary visual arts, architecture and design in Wellington through local, national and international exhibitions.

The Gallery is often involved in international exchanges and joint national and international ventures with other art museums. As well as hosting exhibitions, the Gallery also fulfils a public education responsibility, through a range of programmes and ventures such as school and community education services, volunteer guides, and a several lectures, forums, floor-talks and film screenings.
- **The Museum of City and Sea,** located in the historic Bond Store building on Queen's Wharf and includes the Plimmers Ark Gallery. Founded in 1972 by the Wellington Harbour Board, the Museum aims to preserve, present and promote Wellington's social history and maritime heritage.

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- **Capital E** for children is a creative technology and performance facility in Civic Square. There are four main components to Capital E's services:
 - It provides professional theatre for young people through its National Theatre for Children, which tours to around 40,000 people throughout the country
 - The ONTTV Studio and SoundHouse NZ Creative Technology labs, which provide specialist curriculum-linked learning experiences to children in Wellington
 - A year long events programmes of cultural and community activity
 - The biennial Capital E National Arts Festival.

Capital E's services are generally focussed on children aged 2 – 14 years. Capital E is unique in New Zealand, and is the main facility in Civic Square that caters to children.

- **The Colonial Cottage**, located at 68 Nairn Street, was built in 1858 by William Wallis as a family home, and is central Wellington's oldest identified residential building. It has been preserved and furnished to provide visitors with an experience of mid 19th century living. The collection of the Colonial Cottage Museum Society is housed within the cottage.
- **Wellington Cable Car Museum** preserves and promotes Wellington's early cable car system, recognising its special contribution to the city's heritage. The museum is located in the historic winding house at the top of the cable car route.

The Cable Car Museum has recently been extended to house a new exhibition of the fully restored Grip Car No. 3. In the process work is being undertaken to bring the museum up to current compliance standards and address some additional heritage issues. The work is due to be completed shortly.

- **Plimmers Ark (Inconstant) project.** The Plimmers Ark (Inconstant) are the remains of a ship discovered under the BNZ Building in 1997.

Council decided in 1997 to instigate a conservation project to restore and conserve the remains of the Ark, which have been displayed in the Plimmers Ark Gallery, adjacent to Shed 6 and the Events Centre. Some of the Ark's remains are also being conserved and are on display below the lower floor of the old BNZ building on Lambton Quay. The WMT manages the conservations project on behalf of Council, while the physical remains are owned by the Wellington City Council.

- **The New Zealand Cricket Museum** is based in the Old Grandstand at the Basin Reserve and houses a wealth of national cricket treasures and archive material. It also has a research and lending library. The WMT manages the museum jointly with the New Zealand Cricket Museum Trust, through a management contract, which results in extending the range of facilities under the WMT without imposing additional costs.

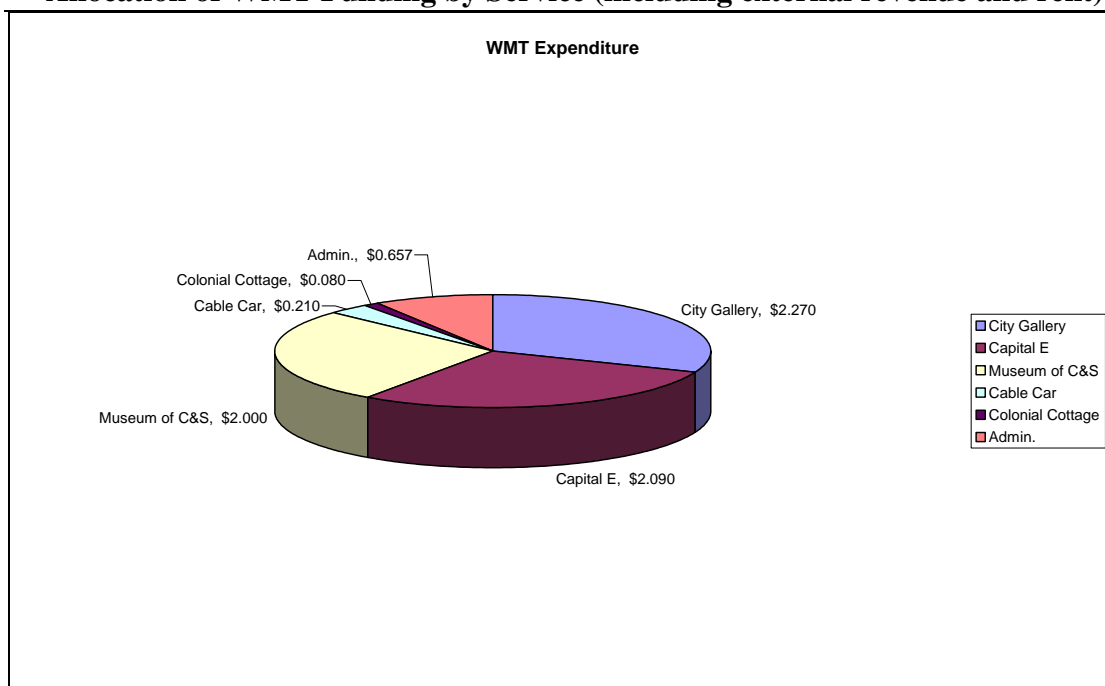
4.3 Financial Overview

Council currently provides \$5.388 million in funding for the operation of the WMT, which represents around 73% of the Trust’s total funding (about \$7.4 million). The balance is largely sourced from external grants and sponsorship (\$0.8m), contracts for services (\$0.3m), and retail income (\$0.8m).

Around 20% of Council’s funding is a rental component. The Council funds the WMT around \$1 million for its rent (costed on a commercial basis), then charges that \$1 million back as landlord. The Trust has asked for a review of the rental policy, believing it unduly distorts the cost to Council of providing the WMT’s services.

The facilities collectively aim to attract around 627,000 visitors a year, representing an average per-visitor subsidy of around \$8.60 per person.

Allocation of WMT Funding by Service (including external revenue and rent)

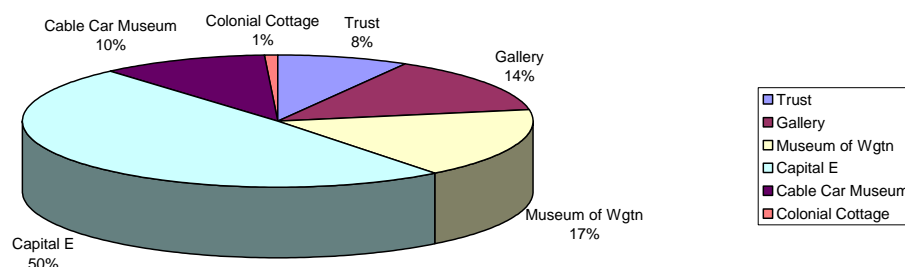


Capital E represents the most significant source of external revenue for the WMT, largely in the form of contracts with the Ministry of Education to deliver specialist curriculum-linked learning experiences to children in Wellington:

Source of External Revenue by Service

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External revenue



The following tables set out the current financial position and performance for the Wellington Museums Trust for 2004/05:

Statement of Financial Performance 2004/05

<i>\$'000</i>	FY Actual	FY Budget	2003/04 Actual
Income	7,241	7,283	7,182
Expenditure	7,340	7,411	7,136
Operating surplus	(99)	(128)	(46)
Operating margin	-	-	-
Return on equity	-	-	-

Statement of Financial Position 2004/05

<i>\$'000</i>	FY Actual	FY Budget	2003/04 Actual
Current assets	645	440	651
Non-current assets	5,551	5,405	5,586
Current liabilities	818	450	690
Non-current liabilities	354	438	423
Equity	5,024	4,957	5,124
Current ratio	0.8:1	1:1	0.9:1
Equity ratio	81%	85%	82%

Statement of Cash Flows 2004/05

<i>\$'000</i>	FY Actual	FY Budget	2003/04 Actual
Operating	398	234	360
Investing	(390)	(247)	(327)
Financing	(64)	(50)	(61)
Net	(57)	(63)	(28)
Closing balance	163	184	219

4.4 Key linkages with other Council activities (internal and external)

The WMT represents Council's majority investment in arts and cultural services in Wellington. There are however several related services that provide context for this review:

- The WMT facilities are part of a regional network of cultural facilities (including The Dowse in Lower Hutt and Pataka Museum in Porirua)
- The Council provides an annual \$2 million grant to Te Papa, which is also being reviewed this year
- The Council also supports a range of other arts organisations such as local theatres, the NZSO, New Zealand Opera, a range of arts activities through its grants expenditure, and operates a community arts programme
- The new Wellington Arts Centre, which is currently being managed within Council (under the Policy Directorate) but is scheduled to become a Trust in 2006. Gross expenditure for the Arts Centre is just under \$1 million per annum, with the net cost to Council around \$400,000 per year (of which around \$200,000 is depreciation and interest on the re-fit of the Centre)
- The Council's new \$300,000 per annum Public Art Fund, which is currently being managed under the Policy Directorate.
- The WMT has a mandate to provide advice on arts and cultural policy and strategy

4.5 Performance data

The Trust is in its tenth year and much progress has been achieved, with additional facilities such as the Cricket Museum being added to the venues it manages. Visitor numbers continue to reflect high levels of satisfaction at the various facilities that are managed by the Trust. There has been an increase in the proportion of international visitors, both at the Cable Car Museum and the Museum of Wellington and City and Sea.

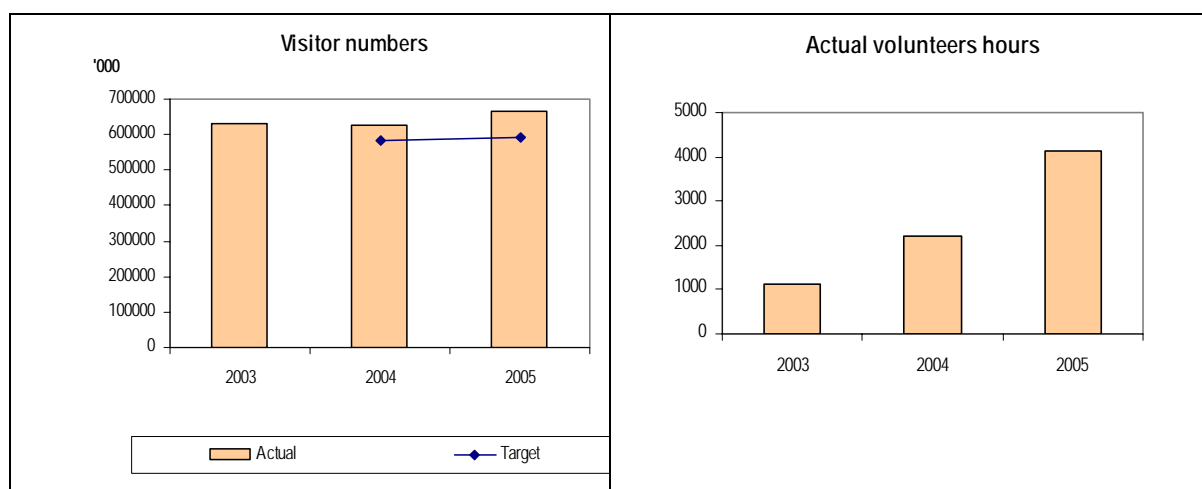
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The performance of the WMT is primarily measured by its visitor numbers. The tables below show how the Trust performed against its macro Key Performance Indicators for 2004/05 and how they have trended for the last 3 years:

Against targets

Measure	2004/05 Target	2004/05 Actual	Comment
Work within approved budget	-	-	Achieved
Work within strategic plan/Sol	-	-	Achieved
Visitor Numbers			
City Gallery	100,000	135,548	Mostly Achieved
Capital E	100,000	118,830	
Museum of Wellington City & Sea	85,000	78,863	
Plimmers Ark	110,000	99,560	
Colonial Cottage	4,700	3,413	
Cable Car Museum	200,000	226,135	
New Zealand Cricket Museum	3,000	2,198	
Subsidy per customer	\$8.15	\$7.66	Achieved
Average retail income / customer	\$1.33	\$1.42	Achieved

Trends



5. Strategic Alignment

This section assesses whether an activity is aligned to the new outcomes sought by Council (and in some instances to the 3-year priorities). Alignment to the Council Outcomes is a necessary, but not sufficient, condition for an activity to meet the strategic alignment test. An activity must also demonstrate a compelling case for why *Council* should be involved in the activity/service. For example, is there a legislative requirement to provide the service; is there market failure or unique advantage for Council in providing a service?

5.1 Alignment to Council Outcomes and Priorities

The following table highlights how this demand is reflected within the new Council outcomes:

Core Outcomes	Ancillary Outcomes
<p>The activities directly contribute to the following strategic outcomes:</p> <p>Outcome 4: More eventful</p> <p><i>Wellington will be recognised as the arts and culture capital, and known for its exciting entertainment scene and full of calendar events, festivals, exhibitions and concerts</i></p> <p>Outcome 2: Stronger Sense of Place</p> <p><i>Wellington will have a strong local identity that celebrates and protects its sense of place, capital city status...history, heritage buildings, places and spaces</i></p> <p><i>Wellington will be a prime tourist destination, with diverse and changing attractions that fit and highlight Wellington's best features</i></p> <p>Outcome 6: More actively engaged</p> <p><i>Wellington will encourage greater engagement and participation by offering an exceptional range of arts and cultural amenities</i></p>	<p>The WMT services also contribute to the following strategic outcomes:</p> <p>Outcome 12 More Competitive</p> <p><i>Wellington will attract and retain and increasing diversity of vibrant, internationally competitive people</i></p> <p>Outcome 13: More Entrepreneurial and Innovative</p> <p><i>Wellington will have high levels of innovation underpinned by strong education, training and research</i></p> <p>Outcome 1: More Liveable</p> <p><i>Wellington will be a great place to be, offering a variety of places to live, work and play</i></p>

Wellington City is home to Te Papa, which puts Wellington City Council in a fortunate position compared to other local authorities in New Zealand. The responsibility for providing a generalist Museum largely resides with central government. (The Council is currently contributing \$2.0 million per annum to Te Papa, which is also being reviewed in year one of this review process.)

Importantly from a strategic perspective, this allows the Council to focus its cultural services and facilities on *Wellington* culture and heritage, and/or to focus on our status as capital city and therefore home to cultural facilities of national uniqueness and significance.

Outcome 4: More Eventful talks about Wellington being recognised as the arts and culture capital of New Zealand. This leadership role, combined with the existence of the National Art Collection under Te Papa, has resulted in the positioning of the City Gallery as a non-collections gallery with a strong emphasis on contemporary exhibitions. There is some question about whether this focus on contemporary works, combined with unease in some quarters about the quality of access to the National Collection in Te Papa, has resulted in the City Gallery being ‘out of reach’ of people that prefer to view more traditional and/or local art works.

National Institutions shape our strategy

Strongly aligned to Outcome 2: Stronger Sense of Place and Outcome 4: More Eventful, this strategic focus on Wellington and our leadership of the arts is evidenced in the refocusing of the Museum of City and Sea (towards more of a “Wellington” story), and the development of the cable-car museum as part of Wellington’s built heritage. It also shows in the City Gallery being New Zealand’s leading contemporary art gallery

Plimmers Ark (Inconstant)

The Plimmers Ark project is aligned to the strategy of focussing on Wellington’s history. From a museum perspective, the Ark provides a level of public interest value (it is an interesting story), although it would not necessarily represent a priority project from the WMT’s perspective.

The Service Levels section of this paper discusses the need for a decision on the long term future of this project.

Colonial Cottage

There is arguably less strategic alignment evident with regard to Colonial Cottage. There is nothing specifically “Wellington” about the cottage, and nor is it particularly unique – there are several similar facilities throughout New Zealand that provide an example of mid-late 19th century living. Indeed a greater argument for strategic alignment could possibly be made for Katherine Mansfield Birthplace, not currently owned by Council, as this leading exponent of early New Zealand literature has a strong connection to Wellington.

It is however also valid to point out that Council’s draft Outcome 2: Strong Sense of Place states that:

Wellington will have a strong local identity that celebrates and protects its sense of place, capital city status...history, heritage buildings, places and spaces

Capital E

Capital E is a different facility altogether. Whilst all other facilities run by the WMT are generally related to museums and heritage, and the specialist skills required to operate those services and facilities, Capital E is an interactive arts facility for children and young people.

While arguments of ‘market failure’ to provide the kind and quality of services that Capital E provides apply to a reasonably high degree, there are some other private sector arts-related services for children in Wellington, including the Wellington Performing Arts Centre. What the private sector does not provide however is the breadth and quality of experience provided by Capital E, which is commonly held to be unique in New Zealand. In addition, the private sector would not, without incentives, provide a dedicated children’s facility in the city’s premier public space.

New Zealand Cricket Museum

The New Zealand Cricket Museum is managed by the WMT on behalf of the New Zealand Cricket Museum Trust. The museum may well not pass the strategic alignment test for Council involvement in itself, but because the management of the museum is funded by a third party, the question of strategic alignment is only of interest to the degree that it represents any additional costs to the WMT, and whether these are outweighed by the benefits.

5.1 Local government/Council involvement

There is no legislative requirement to provide the services that are provided by the Wellington Museum’s Trust, beyond the general stipulation in the LGA 2002 to promote the well-being of the community. Clearly the most relevant aspects of well-being here are cultural and, to a lesser degree, economic. The LGA 2002 entitles local government to become involved in the facilities operated by the WMT, but does not mandate them.¹

The benefits to society from a flourishing arts scene and the preservation of historical artefacts, architectural treasures and the cultural record are the subject of much debate. Most are difficult to either quantify or measure. Benefits are usually seen to accrue from direct participation, i.e., more socialised, better company, and a better participant in the community, and the satisfaction derived by individuals from the knowledge that others have access to the services.

Studies have shown that there is value in providing a “cultural infrastructure” in terms of making a city an attractive place to live, work and play. This is arguably more important for workers in “knowledge based” industries, and particularly important for Wellington City given its unique demographics.

In a similar vein, museums and art galleries are an important aspect of Wellington’s visitor and tourist industry, and a core component behind the perception that Wellington is the Arts and Cultural Capital of New Zealand. Museums and galleries in Wellington

¹ It is worth noting that local authorities in Auckland are mandated by law to provide the Auckland Museum facilities.

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should be seen as part of a network of facilities, each with different attributes and contributions. Related institutions in Wellington include Wellington City Archives, Katherine Mansfield Birthplace, Carter Observatory, New Zealand Film Archive, New Zealand Portrait Gallery, and the Turnbull Library.

The rationale for central or local government intervention is that the market will not provide “enough” of the relevant service in quantity and/or quality, and/or that certain ‘external benefits’ exist that the market cannot adequately capture. There is reasonably compelling evidence that the market would fail to deliver services such as those provided by the WMT. Few large generalist museums and art galleries are privately provided through the developed world, largely because of the nature of the market, pricing difficulties and the presence of externalities.

The facilities themselves are private goods as they can exclude people. There are a number of examples of private museums in New Zealand, although most are specialist facilities, for example car museums, and have low overheads. Many of these institutions however rely on some form of government or philanthropic funding.

Setting entry prices to these facilities is difficult because one person’s use does not detract from another’s use, unless congestion occurs. Generally, prices in these facilities are based on people’s willingness to pay with some broad exceptions for certain categories of users, e.g., pensioners and students. The question of who pays for the WMT’s services is addressed separately through the Council’s Revenue and Financing Policy.

There are a series of what economists refer to as ‘external benefits’ provided by the WMT’s services. They include:

- *option values* - depending on the entry prices, the fact Museums and Art Galleries are available should they wish to go, may provide a benefit to non-users
- *existence values* - some artistic and cultural items, if lost, may not be able to be recovered. The value that an asset has because of the possibility that it may become particularly important is foregone.
- *bequest values* - the value that future generations may put on an artwork or artefact is unknowable in today’s markets.
- *prestige value* - the preservation of treasures of one sort or another may contribute to the civic pride felt by individuals, whether or not they go to see them themselves.

The external benefits derived from museums and art galleries may not be adequately captured through private sector provision, for example if the cost of entry restricted access to certain population groups. The extent of the benefits unaccounted for in market outcomes is however difficult to measure.

Notwithstanding the above limitations, normal competitive mechanisms do serve some artistic forms very well. Unsubsidised private galleries succeed in discovering artistic innovators; and the high market values of ‘established’ art promote speculation in the work of unknown artists. What private galleries in New Zealand tend not to do however is develop and preserve collections. It seems appropriate that publicly funded museums

and art galleries seek to complement private provision and not enter into direct competition, the stance of the City Art Gallery and Capital E is deliberately competitively neutral.

In New Zealand, while central Government provides a degree of cultural infrastructure, by and large the provision of art galleries and museums is a local government responsibility, with the exception of Te Papa.

5.2 Summary of Strategic Alignment Assessment

The following table provides a summary assessment of the strategic alignment of the services under review. Services are allocated one of five measures: critical; strong; moderate; weak; not aligned.

Service	Strategically Aligned
City Gallery	Strong
Museum of City and Sea	Strong
Capital E	Strong
Cable Car Museum	Strong
Plimmers Ark (Inconstant)	Moderate
Colonial Cottage	Moderate - Weak
New Zealand Cricket Museum	n/a

6. Delivery Options

This section of the report is concerned solely with the question of which organisation(s) should be responsible for delivering an activity or certain parts of an activity.

Questions of whether or not a service should be provided at all are addressed separately through either the Strategic Alignment or Service Levels sections. Generally speaking, the range of delivery options considered is:

- In-house v. out-source by contract
- Merge or split activities
- Council v Trust (including merging activity into existing Trusts)
- Partnership (Public and/or private)
- Agent for another entity

As a guiding principle, the Council should not seek to make any changes to delivery arrangements unless the benefits sought clearly outweigh the costs involved in changes.

6.1 Status Quo

The Wellington Museums Trust was established to provide its services on behalf of Council primarily for three interrelated reasons:

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- The specialist and focussed nature of the services is seen to lend itself to specialist governance and management arrangements
- Operating the services under an organisation separate from Council helps to raise the profile and identity of the Trust's facilities and services
- A Trust is likely to be more successful than Council in attracting external revenues from sponsorship.

6.1.2 Issues with the Status Quo

Key issues with the current delivery model when considering alternative delivery options are:

- The WMT has been successful at raising external revenue – some 27% of the cost of operating the Trust is met from external revenue: external grants and sponsorship (\$0.8m); contracts for services (\$0.3m); and retail income (\$0.8m). It has also been reasonably successful in developing the cable car museum, the re-focussing of the Museum of City and Sea and in developing a national (and in some circles international) reputation for the City Gallery as a leading gallery in New Zealand
- Other major New Zealand cities tend to deliver galleries through the local authority, but museums through separate governance arrangements. This is largely for historical reasons, where museums (mid 19th century) developed earlier than galleries (early 20th century) and were often mandated separately through legislation. Art galleries tended to develop from private and charitable sources initially, with municipal authorities providing some support. This local authority support grew over the years to the point where councils took over the running of them, as they became the principal funder. Wellington City, as the capital, has a different history because it was home to the National Museum and the National Gallery, which are now merged as Te Papa
- Having out-sourced the delivery of galleries and museums to the WMT ten years ago, the Council now lacks the internal capability to administer new arts projects such as the Public Art Policy and the new Wellington Arts Centre. This lack of internal capability also has a broader effect on general policy and programme design. Because the vast majority of Council's \$8 million arts investment is allocated by way of grants to external arts organisations, Council has little day to day operational contact with artists (rather than administrators) and risks being out of touch with the nature of the sectors and its stakeholders
- Capital E is arguably quite a different service and facility from the other services provided by the Wellington Museums Trust (heritage, gallery and museum services). It provides a wide range of creative experiences through which children and families are: inspired by high quality national and international professional theatre performance (65%); empowered through curriculum linked creative technology specialist workshops (15%); and entertained and educated through participation in cultural and community events (20%). In many ways, as a facility Capital E has more in common to the

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new Wellington Arts Centre. The core focus of the WMT should arguably be on museums, heritage and gallery services

- Given the Councillor priorities of greater engagement with grass roots and youth-orientated arts and cultural activities, and the new draft outcomes of being more inclusive and actively engaged, some thought should be given to taking a stronger ownership role over key mechanisms focussed on those groups of interest. Those mechanisms include services such as Capital E, the new Wellington Arts Centre, and the Public Art Fund
- There appears scope for greater co-ordination between services and facilities in Wellington. As the capital city, Wellington is home to several national facilities and visitor attractions, yet evidence of joint ventures and the creation of new product by leveraging off existing facilities appear to be fairly sporadic. Whether this is an issue that should be addressed by structural considerations is open to debate
- A related point is whether the grouping of various Trust services in Wellington is optimal. For example, should the WMT operate facilities according to a focus on heritage, museums and galleries, or should the focus be more broadly on visitor attractions. If the latter, are there advantages to be gained through the development of a wider grouping of various visitor attractions in Wellington?

Taking these issues into account, officers have proposed three delivery options for consideration:

1. Status Quo (with possible modifications)
2. Establish an arts-focussed business unit in Council
3. Investigate the costs and benefits of either a merge/joint venture WMT with other Trusts/services to create a larger 'visitor attractions' Trust

Option 1: Status Quo

This option involves retaining the current delivery functions of the Wellington Museums Trust. Council may wish to investigate some improvements to the current model, possible joint venture opportunities with other providers such as Katherine Mansfield Trust, National Archives, and the New Zealand Portrait Gallery. Such joint ventures may provide an opportunity for greater leverage to be made of the range of local and national services located in Wellington as the Capital City, and to create 'new product' by combining and marketing services differently.

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Key Benefits	Key Risks
<ul style="list-style-type: none"> • Minimal disruption or change to services • No risk to existing external revenue sources • Possible expansion and enhanced co-ordination of services through joint ventures – greater value for money 	<ul style="list-style-type: none"> • Council remains arms-length removed from arts sector, particularly grass roots and youth-oriented arts and culture • Continued lack of internal capability to administer new arts projects • Retention of Capital E may continue to blur the specialist focus on galleries, museums and heritage facilities

Option 2: Establish Arts-Focussed Council Business Unit

This option would involve establishing an arts-focussed business unit within Council, with the primary drivers being, firstly, the new Councillor priority of greater engagement of grass roots artists, and secondly developing an in-house capability in respect of the arts in Wellington. This option is more about developing and enhancing services through ownership and strategic alignment of the delivery of certain services, rather than any likely financial efficiency.

The Wellington Museums Trust would retain its specialist role (and services) in the museums, heritage and gallery sectors. The option would allocate the delivery of services as follows:

- the Wellington Museums Trust would retain all of its current facilities, with the exception of Capital E
- Capital E would become the responsibility of Council
- the new Wellington Art Centre would become the responsibility of Council, rather than establishing a CCO (which is current Council Policy, with a Trust due to be established some time in 2006)
- allocating responsibility for the delivery of the Public Art Fund, community arts and advice on other arts related funding (such as arts grants) to this new arts-focussed business unit of Council.

The proposed Arts Wellington division of Council would be cost-neutral, and responsible for approximately \$3.7 million in gross expenditure per annum. Bringing Capital E within Council would reduce the allocation of funding by the Council to the WMT by around \$1.3 million to \$4.1 million per annum.

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Key Benefits	Key Risks
<ul style="list-style-type: none"> • Council would develop internal capability in respect of arts and culture in the city • Closer engagement between the arts communities and Council • Closer engagement with children and young people (through Capital E) • Clearer focus for WMT on specialist roles of galleries, museums and heritage facilities • Opportunities for synergies between Capital E and the Arts Centre • Possible minor efficiencies made in staffing and organisational functions 	<ul style="list-style-type: none"> • Unsettling a successful and nationally unique service (Capital E) • Possibility of losing external sponsorship for Capital E • Risk/likelihood of not gaining sponsorship sought for the Arts Centre • Affect on the ‘critical mass’ or viability of the remainder of the WMT operations (e.g. corporate functions, ability to attract and retain specialist staff)

Option 3: Create ‘Visitor Attractions’ Trust

This option, which would require further development and investigation, would see the creation of some form of ‘Visitor Attractions’ Trust. It would require the merger of some existing trusts and other services in Wellington, with a focus on those services whose primary function is to provide a visitor experience.

The key benefits sought in such a Trust would be: enhanced marketing and ‘clip the ticket’ potential; more strategic allocation of funding; greater leverage off existing services; possible efficiencies, particularly in respect of corporate functions. The key risks would be that such a trust was too large, thus diluting the benefits of specialisation in terms of the desire of people to be involved in a governance or voluntary capacity and possibly the attractiveness of the product to sponsors.

Key Benefits	Key Risks
<ul style="list-style-type: none"> • Likely efficiencies and greater effectiveness in corporate functions such as marketing, ICT and human resources • Opportunity to develop joint ventures and ‘new’ product from synergies • Greater value for money from existing services and products 	<ul style="list-style-type: none"> • Diluting specialist focus • Possibility of losing external sponsorship • Possible loss of volunteer/ community governance from loss of specialist focus • Confused mandate

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The advice of officers is that Option 2 best addresses the issues and Councillor priorities identified, in terms of: Council capability in implementing arts projects; greater engagement with grass roots arts and with youth culture; and a strategic focus for the WMT on museums, gallery and heritage visitor facilities. Should the Committee agree to this in principle, the idea would be consulted on through the draft LTCCP, and a more detailed proposal prepared for the Committee in June 2006.

7 Service Levels

It is difficult to articulate the service levels provided across the diverse range of facilities provided by the WMT. Elements that make up the service levels of the WMT's services include: opening hours; the number of exhibitions; the number and profile of visitors being sought; amount of advice/research sought from both the public and Council on cultural matters; the size of collections; the level of volunteer and community engagement.

7.1 How Wellington compares with other cities

One useful broad measure in terms of the level of investment in services Wellington City Council should look to make is to benchmark our investment against those provided by other major centres in New Zealand. Bearing in mind Wellington's reputation as the arts and cultural capital of New Zealand, Wellington city's investment in museum and gallery services is reasonably modest when compared to Auckland and Christchurch, as a proportion of revenue:

Comparison of Gallery and museum operating funding: Auckland, Wellington, Christchurch (2005/2006 Annual plan)

Wellington City Council		Auckland City Council		Christchurch City Council	
Wellington Museums Trust	\$5,388,000	Ak Museum	\$7,084,000	Art Gallery Commercial	-\$134,000
Te Papa	\$2,000,000	Observatory	\$194,000	Canterbury Museum	\$5,508,000
		Maritime	\$681,000	Collection Maintenance	\$2,838,000
		Motat	\$2,343,000	Our City O-Tautahi	\$608,000
		Auckland Art Gallery	\$7,385,000	Gallery Programmes	\$4,184,000
Subtotal	\$7,388,000	Subtotal	\$17,687,000	Subtotal	\$13,004,000
Council Revenue	\$281,751,000	Council Revenue	\$435,369,000	Council Revenue	\$328,544,000
Contribution/Revenue	2.6%	Contribution/Revenue	4.1%	Contribution/Revenue	4.0%

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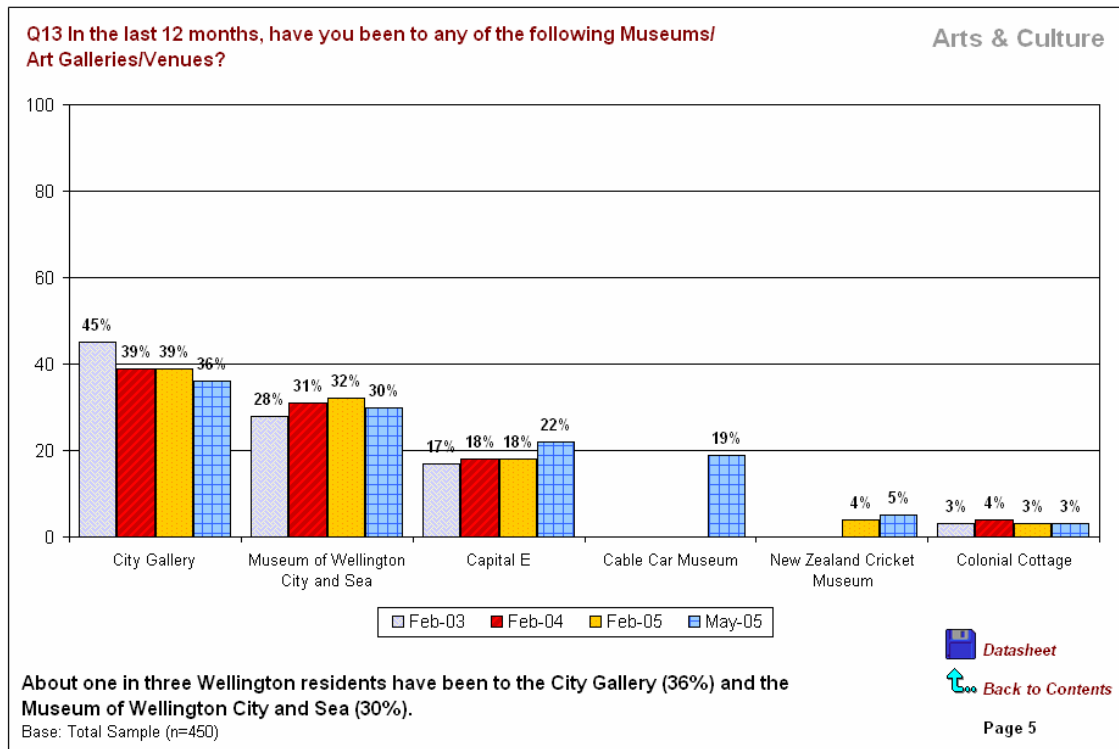
The key differences appear to be:

- Wellington is able to invest less in museum services than Auckland or Christchurch because the proportion of funding contributed by central government is much higher in Wellington, because we are home to the National Museum Te Papa. In addition, Wellington did not have the responsibility for building and maintaining a large 'icon' building normally associated with a civic museum
- Because Te Papa is also the provider of the national art collection, Wellington has not historically had to develop, maintain and exhibit a museum-quality civic art collection. Instead, we provide a non-collections gallery focusing on contemporary works. For example, compared to Wellington's \$2,000,000 per annum for the City Art Gallery, Christchurch pays nearly \$7 million for its gallery services (excluding the cost of capital on its \$55 million Art Gallery) and Auckland \$7.4 million
- The above factors, while clearly reducing operating costs to the City, also mean that we have significantly lower asset ownership and subsequent control over these key museum and gallery institutions.

The above factors have allowed Wellington to instead focus more of its investment on supporting other important cultural infrastructure, services and facilities in Wellington, such as the NZSO, the International Festival of the Arts, local theatres, art in public places, the new Wellington Art Centre, Capital E and grass roots activities through our grants system.

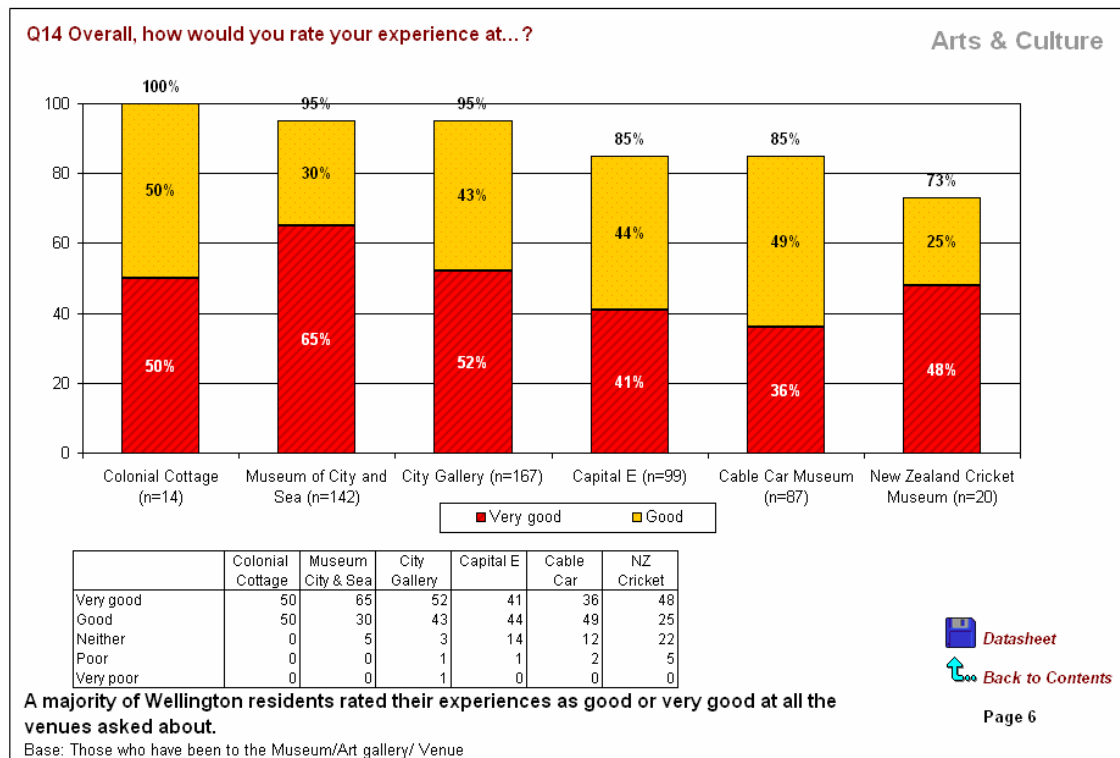
7.2 Services appear to be well supported by Wellingtonians

In addition to the key indicator of visitor numbers, the performance of the WMT can also be measured through the Residents' Satisfaction Survey. The following table shows the results of the most recent survey in May 2005 and the proportion of Wellingtonians that have attended the various WMT facilities over the last year:

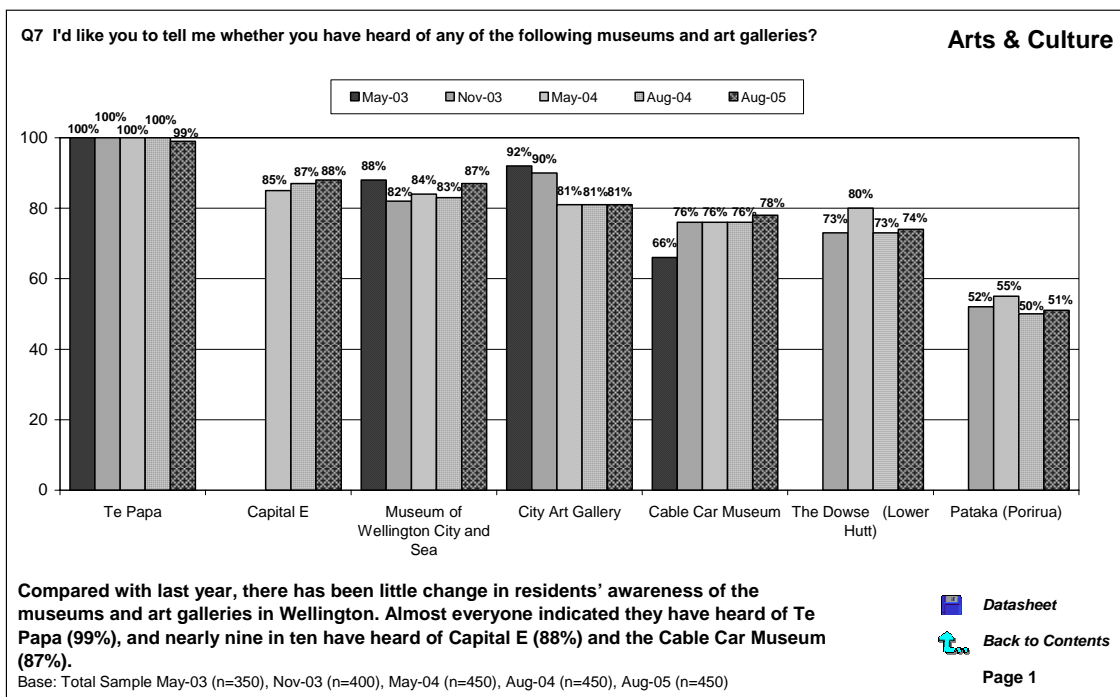


City Gallery and the Museum of City and Sea are the most commonly visited facilities by Wellingtonians. It should be noted however that the Cable Car Museum, while only visited by one in five Wellingtonians last year, appears to instead attract largely non-Wellingtonians, including international visitors.

Those Wellingtonians that do attend the WMT facilities appear to have high satisfaction levels with their experiences:



And Wellingtonians have a high level of awareness of the main facilities:



7.3 The costs of each service are variable

The following table outlines the total cost of providing each service per visitor:

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Service	Visitors/Users	Cost of Service*	Cost per visitor**
City Gallery	135,000	2,270,000	\$16.80
Museum of C&S, and Plimmers Ark	179,000	2,000,000	\$11.17
Capital E	119,000	2,090,000	\$17.60
Cable Car Museum	226,000	210,000	\$0.93
Colonial Cottage	3,400	80,000	\$23.50
New Zealand Cricket Museum	2,200	N/A	N/A
Total	664,000	7,300,000	\$11.00

* Excludes the cost of any capital and \$657,000 administration costs

** This represents the total of the service (i.e. it includes external revenue and rent), not the subsidy provided by Council

While the net cost to Council per visitor is on average \$3.00 less than indicated in table above, (because of sponsorship, external contracts and retail revenue), some interesting issues emerge in terms of the value for money from services. While the cost per visitor does not provide a complete picture of the quality of the service (visitor numbers are some measure of the quality, and while satisfaction surveys provide another insight), the following points are noted:

- Colonial Cottage appears loved by the very small number of people who visit, but cost around \$23.50 per visitor to provide the service in 2004/05. However the WMT has made structural changes to the cost of the Colonial Cottage which should flow through by 2006/07, reducing costs to around \$40,000 per year and the total cost to around \$12 per visitor. This, combined with the broader strategic purposes of the cottage (sense of place and heritage values), provides some confidence that the service is now at an appropriate level
- The Cable Car Museum appears to be extremely cost-efficient at just under \$1 per visitor, which has the effect of reducing the average cost per visitor for all WMT services dramatically. Without the Cable Car Museum, the average cost per visitor for all services rises from \$11.00 to \$16. It is possible that the location of the Museum readily lends itself to a large number of visitors
- The Wellington Museums Trust is itself carrying out a benchmarking exercise to assess its efficiency and effectiveness relative to similar facilities.

While acknowledging some difficulties in comparing facilities that provide different types and levels of service (and indeed have quite different histories and degrees of private support), the costs per visitor for the WMT's services generally appear efficient in comparison with similar facilities in New Zealand. For example:

Comparison of Museums and Gallery Per-Visitor Costs

Type of Facility	Name	Location	Per Visitor
Museums	Otago Settlers	Dunedin	\$29
	Te Papa	Wellington	\$25
	<i>City and Sea</i>	<i>Wellington</i>	<i>\$11</i>
Art Galleries	Auckland Art Gallery	Auckland	\$36
	Govett Brewster	New Plymouth	\$31
	Christchurch Art Gallery	Christchurch	\$23
	<i>City Art Gallery</i>	<i>Wellington</i>	<i>\$17</i>
	Dunedin Public Art Gallery	Dunedin	\$12

7.4 The future of Plimmers Ark

The Plimmers Ark (*Inconstant*) conservation project was developed by the Wellington City Council in 1997/98. The management of the conservation process was transferred to the Wellington Museums Trust in May 2001 with the opening of the Plimmers Ark Gallery adjacent to Shed 6 and the Events Centre. Below the lower floor of the old BNZ building on Lambton Quay there is a display of part of the timbers being conserved (also managed by the Trust). Both sets of the physical remains are owned by the Wellington City Council.

The time is coming when a decision is required on the long term plan for the remains of the Ark – the project to date has focussed on the conservation of the remains as a public display. The project is housed in temporary accommodation in space managed by Wellington Waterfront Limited, which has indicated that it may require the project's removal with six months notice. It is unlikely to be viable to retain the conservation project in its current location for the estimated duration of the conservation process (10 years).

The WMT is currently undertaking an analysis of options with a view to advising Council on the way forward. Indicative options at this stage are:

1. Maintain the BNZ site as the sole display of the *Inconstant*.
2. Maintain the BNZ site and a portion of the *Inconstant* display (yet to be established) that is currently located between Shed 6 and the Event Centre, final display location to be established.
3. Maintain the BNZ site and total remnants i.e. all the timbers that are being conserved and are on display at present with the final display location to be established.

At this stage, option 2 looks preferable.

7.5 Service levels recommendations

It is not recommended that general service levels be altered across the WMT for the following reasons:

- the relatively modest investment in Wellington to museum and gallery facilities in comparison with other New Zealand cities
- the reasonably high level of customer satisfaction with the services provided
- comparisons with similar facilities in New Zealand appear to show the WMT services are at the lower to middle part of the cost spectrum
- Wellington's aim to be a cultural and artistic leader in New Zealand, and to be a world class city.

It may be logical to seek joint venture opportunities to increase service levels without necessarily increasing cost – possibilities include Katherine Mansfield Birthplace, Truby King House, and Old St Pauls and other places governed by the New Zealand Historic Places Trust.

This would be consistent with the strategic direction for the WMT indicated in the recommended removal of Capital E to Council, and a tighter focus for the Trust on museum, gallery and historic/cultural facilities.

8 Efficiency and Effectiveness

The WMT is currently undertaking an internal review of its services, with a view to establishing its cost effectiveness.

Most scope for efficiency would appear to exist within changes to the scope of delivery functions – that is, with an investigation into the possibility of joint venture opportunities with other visitor attractions in Wellington. It might, for example, be more efficient to develop a joint marketing approach to visitor attractions in Wellington rather than each of several organisations (e.g. the Wellington Zoo, the possible Marine Education Centre, the Karori Sanctuary, the Wellington Museums Trust) funding its own marketing strategy and delivery.

Similar arguments could be made in terms of other organisational costs – human resources, information and communication technology systems, governance costs across organisations. The trade off with efficiency in this respect is likely to be with effectiveness and specialisation

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