

Assessment of options

Full control options	Pros	Cons
1. Assume control over KWST and create a standalone CCO	<ul style="list-style-type: none"> • Provides full governance control • Provides opportunity to improve trustee competencies through the appointment process 	<ul style="list-style-type: none"> • Is extremely unlikely to gain KWS Board support • Increases the number of CCOs, with a commensurate impact on WCC's monitoring requirements and associated costs • Involves extra costs in the form of an additional set of trustees' fees • Timeliness of implementation and lack of certainty over the outcome are major issues due to <ul style="list-style-type: none"> - the need to engage in a special consultative procedure - High Court involvement in the KWST winding up process - the risk of KWS Board legal challenge if the financial assistance provisions in the current Trust Deed end up having to be invoked • Has a high risk of diverting Board attention from the project if current Trustees are to be replaced • Has a medium to high risk of alienating the community and KWST membership and volunteer base • WCC ownership could result in reduced access to external funding
2. Assume control over KWST and merge it with the Wellington Zoo Trust to create a super new "wildlife" CCO	<ul style="list-style-type: none"> • Provides full governance control • Enables cross over of and/or improvement in trustee competencies • Provides opportunity to refresh and refocus Trust objects • Avoids additional CCO monitoring requirements and associated costs 	<ul style="list-style-type: none"> • Is extremely unlikely to gain KWS Board support • Might not gain WZT Board support if it entails replacement of some or all current Trustees • Is likely to involve an increase in current WZT trustees' fees for taking on additional responsibility • Timeliness of implementation and certainty over the outcome are major issues due to: <ul style="list-style-type: none"> - the need to engage in a special consultative procedure - High Court involvement in the KWST winding up process - the need for both Trusts to undertake due diligence - the requirement for a new Trust Deed to be drafted and approved - the risk of KWS Board legal challenge if the financial assistance provisions in the current Trust Deed end up having to be invoked • Has a high risk of diverting Board attention from the project if current Trustees are to be replaced • Has a medium to high risk of alienating the community and KWST membership and volunteer base • The resulting "value proposition" (ie. combined exotic and indigenous species conservation) may make the new Trust less attractive to potential external funders
3. Amend the objects of the WZT to facilitate it taking control over the Sanctuary's operations and wind up the KWST	<ul style="list-style-type: none"> • Provides full governance control, using an existing governance vehicle • Provides opportunity to refresh and refocus Trust objects • Enables cross over of trustee competencies • Avoids additional CCO monitoring requirements and associated costs • Possibly avoids need to engage in a special consultative procedure 	<ul style="list-style-type: none"> • Is extremely unlikely to gain KWS Board support • Might not gain WZT Board support if it entails replacement of some or all current Trustees • Is likely to involve an increase in current WZT trustees' fees for taking on additional responsibility • Timeliness of implementation and certainty over the outcome are major issues due to: <ul style="list-style-type: none"> - High Court involvement in the KWST winding up process - the need for WZT to undertake due diligence - the requirement for a new Trust Deed to be drafted and approved - the risk of KWS Board legal challenge if the financial assistance provisions in the current Trust Deed end up having to be invoked • Has a high risk of diverting Board attention from the project

Full control options	Pros	Cons
		<ul style="list-style-type: none"> • Has a medium to high risk of alienating the community and KWST membership and volunteer base • Matching of objects may prove difficult • Raises the prospect of a “quid pro quo” response from the WZT trustees, who might seek assurances of additional funding on demand to address perceived legacy issues with KWST
<p>4. Negotiate with KWST for the WZT to assume responsibility for the Sanctuary’s operations under a management agreement but leave the KWS Trust intact</p>	<ul style="list-style-type: none"> • Provides full governance control using an existing governance vehicle • Enables cross over of trustee competencies • Avoids additional CCO monitoring requirements and associated costs • No need to invoke winding up process or to amend Trust Deed(s) and probably avoids need to engage in a special consultative procedure • Preserves KWST’s separate identity, CO status and ability to access external funding • Facilitates setting up of combined CCO later on if financial assistance provisions of Trust Deed are invoked 	<ul style="list-style-type: none"> • Is highly unlikely to gain KWS Board support • Is likely to involve an increase in current WZT trustees’ fees for taking on additional responsibility • Timeliness of implementation and certainty over the outcome are an issue due to the risk of KWS Board legal challenge, particularly if the financial assistance provisions in the current Trust Deed end up having to be invoked • Raises the prospect of a “quid pro quo” response from the WZT trustees, who might seek assurances of additional funding on demand to address perceived legacy issues with KWST

Withdrawal options	Pros	Cons
<p>5. Withdraw immediately from providing project and operational funding support and exit from Board membership</p>	<ul style="list-style-type: none"> • KWS Board support for the option is not required • Provides the opportunity to reduce the level of current financial commitment to the project (in the form of the \$1.9 million loan increase at least), while removing the risk of WCC having to put in more funding to the project in the future • Achieves a saving in OPEX from 2009/10 onwards of \$... • Sends a message to the Trust (and other entities) that WCC is no longer to be considered a funder of first resort or a “bail-out” provider, forcing it to cut its cloth to a more realistically achievable vision • Preserves separate KWST identity and ability to access external funding • Timeliness of implementation and certainty of outcome are not an issue (the legal requirements are not considered onerous (although the terms and conditions of the current funding deed re. the original \$8m loan drawdown may need to be checked) 	<ul style="list-style-type: none"> • The Government could withdraw its funding with the result it is not possible for the Trust to complete the project • Non-completion of the project would involve WCC incurring liability and a write-off up to the limit of the current funding agreement (\$8 million) plus additional costs re. compensation for broken contractual commitments and making the building site safe • The Trust could fall over through lack of sufficient on-going funding to sustain operations because the Visitor Centre is not completed, leaving the Council to inherit a failed business enterprise and an unusable asset on its land • There is a risk to the reputation of WCC if its competence is drawn into question over the wasted investment of \$8m of ratepayer funds in an unusable “white elephant” • There is a risk to the city’s reputation if an internationally touted new visitor attraction is consigned to amateur status • There is a risk to the Sanctuary’s status in the conservation world if its biodiversity operation slips backwards due to its having to cut back on funding of its conservation efforts • There is a risk of alienating the community and the KWST membership and volunteer base, possibly impacting support for other worthy projects in the future
<p>6. Continue financial support for the project until it is more or less completed then withdraw operational funding, with or without continued Board membership</p>	<ul style="list-style-type: none"> • KWS Board support for the option is not required • Achieves a saving in OPEX from 2010/11 onwards of \$... • Sends a message to the Trust (and other entities) that WCC is no longer to be considered a “bail-out” provider, forcing it to cut its cloth to a more realistically achievable vision • Preserves KWST’s separate identity and ability to access external funding • Timeliness of implementation and certainty of outcome are not an issue 	<ul style="list-style-type: none"> • The Council’s financial risk in regard to completion of the project remains • Concern over the longer term financial security of the Sanctuary has a high risk of diverting Board attention from successful completion of the project • There is no increased assurance over the Trust’s governance while the project is being completed • The Trust could fall over through lack of sufficient on-going funding to sustain operations, leaving the Council to inherit a failed business enterprise and an unusable asset on its land • There is a risk to the reputation of WCC over possibly consigning the Sanctuary to financial failure with the community viewing \$7.3m of ratepayer funds in previous operational funding as wasted • There is a risk to the Sanctuary’s status in the conservation world if its biodiversity operation slips backwards due to its having to cut back on funding of its conservation efforts

Withdrawal options	Pros	Cons
		<ul style="list-style-type: none"> There is a risk of alienating the community and the KWST membership and volunteer base, possibly impacting support for other worthy projects in the future

Increased control option	Pros	Cons
<p>7. Proceed with current funding arrangements but require the Board to amend the Trust Deed to increase the number of Council appointed Trustees to 3 while at the same time reducing the Board size from 12 to 7, ensuring that the Trust does not become a CCO and tightening the focus and improving the capability and skills mix of the Board</p>	<ul style="list-style-type: none"> Preserves KWST's separate identity, CO status and ability to access external funding, minimising the Board's reluctance to co-operate Directly increases control, facilitating an improvement in the quality of governance during a critical time and helping to reduce the level of the financial risk to Council that the cost of the project will further blow out Avoids the need to <ul style="list-style-type: none"> engage in a special consultative procedure involve the High Court in a KWST winding up process undertake due diligence Helps avoid the risk that the Government will pull out its project funding Preserves the city's, Council's and Sanctuary's reputations Minimises the risk of alienating the community, KWST membership and volunteer base Preserves the Council's ability to revert to implementing an alternative option later if the Trust's governance and/or financial performance does not improve 	<ul style="list-style-type: none"> The Council remains exposed to further financial risk Is likely to involve making new Board appointments which risks diverting attention from project governance if the appointment process becomes protracted Assumes the remuneration of trustees to secure good quality trustees Opportunities for increasing the efficiency of operations by combining the management of KWST and WZT activities are lost

Summary assessment

Options	Decision criteria							Summary
	Control	Fin. risk	Cost	Certainty	Timeliness	Reputation	Relationships	
Full control	✓✓✓	x	xx	xxx	xxx	✓	xxx	x
1. Assume control over KWST and create a standalone CCO	✓✓✓	x	xx	xxx	xxx	✓	xxx	
2. Assume control over KWST and merge it with the Wellington Zoo Trust to create a super new "wildlife" CCO	✓✓✓	x	x	xxx	xxx	✓	xxx	
3. Amend the objects of the WZT to facilitate its assumption of control over the Sanctuary's operations and wind up the KWST	✓✓✓	x	xx	xxx	xxx	✓	xxx	
4. Negotiate with KWST for the WZT to assume responsibility for the Sanctuary's operations under a management agreement but leave the KWS Trust intact	✓✓	x	xx	xx	xx	✓	xx	
Withdrawal	xxx	xxx	x	✓✓	✓✓✓	xxx	xxx	xx
5. Withdraw immediately from providing project and operational funding support and exit from Board membership	xxx	xxx	✓	✓✓	✓✓✓	xxx	xxx	
6. Continue financial support for the project until it is more or less completed then withdraw operational funding, with or without continued Board membership	xx	xx	x	✓✓✓	✓✓✓	xx	xx	
Increased control	✓	xx	x	✓✓	✓✓	✓✓✓	✓✓✓	✓✓
7. Proceed with current funding arrangements but require the Board to amend the Trust Deed to increase the number of Council appointed Trustees to 3 while at the same time reducing the Board size from 12 to 7, ensuring that the Trust does not become a CCO and tightening the focus and improving the capability of the Board	✓	xx	x	✓✓	✓✓	✓✓✓	✓✓✓	