
REPORT 4
(1215/52/02/IM)

**FINAL STATEMENT OF INTENT FOR KARORI
SANCTUARY TRUST FOR THE YEAR 2009/10**

1. Purpose of Report

To provide the Subcommittee with the final 2009/10 Statement of Intent received from the Karori Sanctuary Trust (Trust) in compliance with Local Government Act 2002 and Council reporting requirements.

2. Recommendations

It is recommended that the Subcommittee:

1. *Receive the information*
2. *Note that in April, Council agreed that as a condition of its additional loan funding, the Trust had to implement governance and management review recommendations, including changes at the governance level*
3. *Note that it is usual for the Council Controlled Organisation Performance Subcommittee to approve the final Statement of Intent in June of each year. Officers recommended in June 2009 that, in order to give the incoming Karori Sanctuary Board a reasonable opportunity to engage and set strategic direction for the organisation, the Council should agree to consider the Karori Sanctuary's 2009/10 Statement of Intent in October 2009*
4. *Note that the Council is satisfied that all conditions relating to Council's loan funding have been met, including the final execution of the changes to the Karori Sanctuary Trust Deed.*
5. *Note that the new Board has reviewed and approved the visitor numbers and pricing strategy (144,448 visitors and \$2.1 million revenue from entry in 2010/11)*
6. *Agree to recommend that the Strategy and Policy Committee approve the Trust's 2009/10 Statement of Intent.*

3. Background

The requirements for Statements of Intent (SOIs) are prescribed in the Local Government Act 2002. The requirements in the Act are modelled on those for Crown entities which are now set out in the Crown Entities Act 2004.

Under the Local Government Act 2002, Council Controlled Organisations (CCOs) are required to submit a draft SOI to the Council by 1 March in the previous financial year. As a matter of good practice, the Council preceded this with a Letter of Expectation, sent to all CCOs in January, which outlined the Council's expectations in respect of the SOIs to be received. This process provided both the Council and the CCOs with an opportunity to fine tune respective expectations ahead of submitting the final SOI for owner approval (Council) prior to the beginning of the 2009/10 financial year.

The Karori Sanctuary Trust is not a CCO however as part of the funding deed for its \$10.38 million interest free loan from the Council, the Trust has agreed to adopt the Council quarterly reporting cycle, and also therefore the Statement of Intent (SOI).

In November 2009 the Council approved the \$1.9m additional loan, and requested changes to the Trust's Deed namely:

- a. *Improved monitoring and reporting¹:*
 - i. *Appointment of an independent officer to the project group*
 - ii. *Project and risk reporting to the CCO Performance Subcommittee*
- b. *Cost controls:*
 - i. *No loan funding will be approved for scope increases*
 - ii. *Any additional external funding secured by the Sanctuary for the Visitor Centre project will be used to reduce the amount of the Council's additional loan required*
- c. *Review of governance arrangements:*
 - i. *The Council will review governance arrangements at the Trust, and the Trust will agree to abide by the outcome of that review².*

In April 2009, Council agreed that as a condition of its further funding increase of \$2.38m³, it would require the Trust to amend its Trust Deed to:

- a. *Increase the number of Council appointed Trustees from 2 to 3 and to reduce the total Board size to a minimum of 7 and a maximum of 8*
- b. *Specify the capabilities and required skill mix of the Board and the Chair of the Trust to reflect the nature and life cycle of the business*
- c. *Provide the Council with the right to approve the Board's selection of the Chair of the Trust.*

¹ The appointment of Dean Riddell as Chair of the Steering group, by the Trust, was in addition to the appointment of a Council officer to the group as an independent officer who provides the Council with project and risk reports on a regular basis.

² This review has been completed and resulted in the request that the Trust amend its Deed.

³ This relates to \$1.9m approved in November 2008, and a further \$0.48m in April 2009, taking the total loan available from Wellington City Council to \$10.38m.

The Council also required that the Sanctuary work with Positively Wellington Tourism to investigate a contract for marketing of the Visitor Centre.

The Karori Sanctuary Board now has 3 Council appointed members (Paul Callaghan, Russell Ballard and Graeme Mitchell) and 4 members appointed by the Guardians of the Trust (Peter Allport-Chair, Catherine Judd, Don Huse and Charles Daugherty).

In May 2009, the Subcommittee was satisfied with the Sanctuary's draft SOI based on the following changes that needed to be addressed by the Trust in their final SOI:

- *include the implementation of the governance and project management review recommendations, as approved by Council at its meeting of 16 April 2009*
- *include a review and update (as appropriate) of the risk management register*
- *include an update of the Trust's alignment to Council's vision and outcomes in the draft 2009/10 Long Term Council Community Plan*
- *agree to prepare an Asset Management Plan*
- *commit to the implementation of a board development program*
- *undertake to work closely with Positively Wellington Tourism in the marketing of the Visitor Centre*

In light of these changes, officers advised the Trust that it would get more time to finalise its SOI. As the key accountability document between the Council and the Board of each entity, the approval or support of the SOI is important in confirming the strategic direction and accountability to Council of the Karori Sanctuary Trust.

As noted in point *a) i* following the Karori Sanctuary's request for additional loan funding, and the initiation of the governance review, the Council Controlled Organisation Performance Subcommittee (CCOPS) has also undertaken to monitor the Visitor Centre project.

4. Issues for the Subcommittee to consider

The Trust has responded to the points raised by CCOPS in its Letter of Expectation and the subsequent feedback in May. It has also implemented all changes that resulted from the governance and management review and Council requirements following its decision to increase the Sanctuary loan funding to \$10.38 million.

Officers make the following observations:

- The Trust's focus for this year is to successfully manage the Visitor Centre project and the transition of the current operations to a visitor centre operation. The Trust has indicated a number of strategies to achieve this including developing operational capabilities and capacities, developing new revenue streams and developing and maintaining the Trust's leadership in conservation management. The Trust is also focusing on developing its infrastructure and operational systems to support the new operations including the implementation of new point of sale/tour booking and membership systems.

- The Trust has outlined its contribution to a range of Council's strategies and outcomes. In addition to the Trust contribution to the city's environmental strategy through the protection and conservation of Wellington's land and water-based systems, the Trust has highlighted its contribution to the city's economic strategy through its focus on being a 'must see' international tourist destination.
- The Trust has indicated a range of risks including having a new product that needs extensive marketing, a competitive and depressed fundraising and sponsorship market, and the impact of the recession on the international visitors market.
- The Trust's SOI KPIs are consistent with the reviewed Business Case operating revenue and visitor targets.

Issues that need further consideration:

- The Trust has indicated its intention to operate the café in-house. In the original business plan, the Trust planned to lease the café out to an owner/operator who would pay for a fit out and run the operation. As the Trust has not been able to find a suitable owner/operator it has decided to run the operation in-house and has already employed staff with hospitality experience. The Trust believes that this option provides opportunities for the Trust to increase revenue streams, to develop value added packages and develop the café as part of the overall visitor experience.
- Officers have highlighted the risks to the Trust, of running the café in-house. It is not core business for the Trust and its success is directly linked to the visitor numbers. The Trust has acknowledged these risks but believes that this option will provide a degree of flexibility and control that is not achievable with an outsourced operator.
- Officers note that Karori and Positively Wellington Tourism (PWT) are working closely to develop a marketing plan to support the opening of the Visitor Centre and beyond and have been working on the Memorandum of Understanding. This memorandum outlines protocols relating to the marketing of ZEALANDIA: The Karori Sanctuary Experience and how a structured process should be implemented by the two organisations so that the marketing plan of ZEALANDIA leverages the marketing plan for Wellington carried out by Positively Wellington Tourism in all areas of activity - International, Australia, Domestic, Online, i-SITE and Convention Bureau. The MOU will formalise accountability in this key area of Council investment.

A review of the Trust's financial forecasts highlights the following points:

- Officers note that the Trust remains confident that it can achieve its business case targets. The new Board has reviewed and approved the visitor numbers and pricing strategy (144,448 visitors and \$2.1 million revenue from entry in 2010/11). Officers recommend that this area continues to be closely monitored. The Trust has included revenue from the café operations in the SOI financial statements.

- The Trust's aim is to be financially self-sustaining in the long term. The Trust has signalled that it expect to commence loan re-payments in 2012/13 at \$415,200 per annum, with annual payments over a period of 25 years. Officers note that a non-achievement of the business case targets poses a risk to the timing and amount of the loan repayment to Council.

6. Conclusion

The Trust has responded to the points raised by CCOPS in its Letter of Expectation and has implemented all changes that resulted from the governance and management review. This year the Trust's focus is on the successful completion of the Visitor Centre and on the operational changes that will occur with its opening. The focus remains on the achievement of the business case targets; the Trust and CCOPS will continue to closely monitor this.

Officers recommend to the Subcommittee that it approves the Trust's SOI.

Contact Officer:

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Supporting Information

1) Strategic Fit / Strategic Outcome

Karori Sanctuary Trust supports the achievement of a range of outcomes and strategic areas. CCOs are required to state in their Statements of Intent how they contribute to Council's strategic goals.

2) LTCCP/Annual Plan reference and long term financial impact

Please refer to the individual covering report that prefaces the Karori Sanctuary Trust's report.

3) Treaty of Waitangi considerations

This report raises no new treaty considerations. Where appropriate the entities do consult with the Council's Treaty Relations unit, and with the Tenth Trust, as part of normal operations.

4) Decision-Making

This is not a significant decision.

5) Consultation

a) General Consultation

A draft report will be circulated to the entity, with comments passed on to the sub-committee as appropriate

b) Consultation with Maori

See section 3, above.

6) Legal Implications

The Council's lawyers have been consulted during the year as part of normal operations. There are no new legal issues raised in this report.

A Statement of Intent is a legal requirement for CCOs under the Local Government Act 2002.

7) Consistency with existing policy

This report is consistent with existing WCC policy.