

Review of Zealandia

**An independent report for the Karori Sanctuary Trust and
the Wellington City Council on the Governance,
Management, and Operations of Zealandia**

November 2012

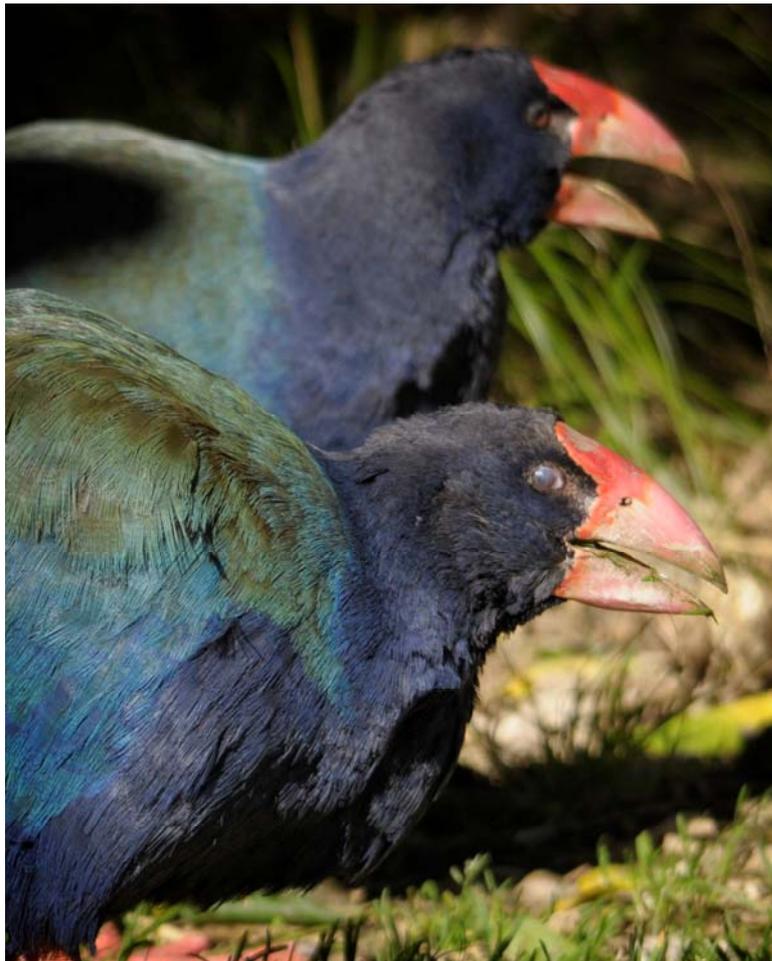


Photo Courtesy of Simon Woolf, Woolf Photography

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DISCLAIMER

The preparation of this report has relied on and assumed the accuracy and completeness of information available from public sources, interviewees and documents furnished by Zealandia and the Wellington City Council. Every attempt has been made to verify the information but the right is reserved to revise or amend the report if any additional information subsequently comes to light that existed on the date of the report.

Review of Zealandia

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Executive Summary

This review has been written for the Interim Board of Trustees of Karori Sanctuary Trust (KST), the Wellington City Council (WCC) and the Guardians of KST to provide an independent view of the governance, management and operations of Zealandia (the KST) with the purpose of making recommendations to move toward a financially sustainable future. It is based on research on the internet, written documents and 59 interviews of people including many closely associated with Zealandia and representatives of stakeholder and interested organisations. It was conducted over the months of July-November 2012.

Zealandia is a unique urban asset that enhances Wellington as the capital of “clean, green” New Zealand. Over the nineteen years of its existence as a conservation project, it has inspired thousands of people to think about the pre-human nature of the city and how it will develop in the next 500 years. With the worldwide move toward biophilic cities where nature is brought back into urban environments for health benefits and given Wellington’s goal to become a leading eco-city by 2040, Zealandia plays a significant role.

Since its inception as the vision of James Lynch as a community enterprise, Zealandia has achieved greater than expected success in its strategic goals of conservation and research, education, and community involvement, and reasonable success in tourism and recreation and corporate management. The current Trustees’ mission is to “Give Wellington a treasured valley” and for many Wellingtonians this mission is a living reality. Both local and national governments have generously supported Zealandia with land, grants, and loans. Many corporates and families have also been extremely generous in funding the predator-proof fence, species translocations, and specific projects. Hundreds of volunteers have dedicated their time and effort to Zealandia and embody its strong community support. Birdsong has returned to Wellington suburbs largely due to the success of Zealandia. As one member of parliament put it: “If Zealandia didn’t exist, we would have to invent it.”

In the past two years Zealandia has been the focus of much debate. Whereas the first trustees envisioned a larger Visitor Centre than the small administration building could offer, the architectural plans that were eventually accepted in 2005 were much more grand than originally planned. Zealandia was to become a visitor attraction of international renown that would not only pay for itself with revenue from visitation but offer a financial surplus to benefit other conservation projects. Changes were made to governance to manage the new direction that brought in a Board of Trustees with more skills in professional governance. An impressive Visitor Centre was created, including a world-class interactive exhibition. Positively Wellington Tourism (PWT) was a central partner in this enterprise and both the city and the Sanctuary shared great expectations of its financial success based on increased visitation.

Unfortunately the economic downturn affected tourist numbers both domestically and internationally with the result that Zealandia did not earn the revenue from visitation that had been anticipated. Whereas the Boards of Trustees had envisaged Zealandia would be able to reach a state of financial independence in operational terms (other than the interest free \$10.3m loan from the Wellington City Council) by 2014, in December 2010, the KST Board notified the WCC that its cash reserves would be depleted by 2012/13 unless it could procure additional funding. This began a long process of funding negotiations and public consultation over WCC’s Eco-City Proposals. The result of the public consultation was the vast majority of respondents

from the Wellington community preferred Zealandia to remain an independent council organisation. The WCC has offered the KST an enhanced partnership based on the results of this review.

After the inclusion of depreciation, a small operating cash surplus turned into a deficit of \$902k in 2010/11 and an operating cash deficit of \$457.5k into a deficit of \$1.39m in 2011/12. At the time this review began, this trend was predicted to continue into 2012/13 and beyond. However, as a result of the review process, the Interim Board has acknowledged the severity of this situation and has taken action on two fronts:

- a large-scale fundraising strategy to boost revenue; and
- development of enhanced partnerships with the WCC and Victoria University of Wellington (VUW).

Combined, these efforts should eventually create an operating cash surplus and financial sustainability. However, this process will take time and asset replacement will remain a risk until an endowment fund can be established or other arrangements developed to cover future capital expenditure. It is evident that KST will always depend upon a certain amount of funding from the WCC but this should be seen as a strength that binds the partnership into a shared vision, not a weakness.

Other issues that have come to light during this review are:

- the need to improve Zealandia's image;
- the need to improve relationships with stakeholders;
- the need to address governance and management issues; and
- the need to balance the roles of KST as a sanctuary and a tourist attraction.

Part 2 of this review contains discussion of the areas of governance, management, operations, pricing for admissions, and financial options. Nineteen recommendations are offered to address each of the above issues in five different categories. They are:

Finance and Fundraising

1. The Trustees and CE urgently address the need to increase operating revenue by \$500k in 2012/13 and at least \$400k per annum thereafter to break even at the operating point and make provision for asset replacement in the future.
2. One of three financial models listed under "Financial Options" of this paper (moderate assistance from the WCC, more substantial assistance from the WCC, or becoming a council controlled organisation) be accepted as the basis for the business plan for the next three years.
3. A full-time professional fundraiser be appointed to Zealandia staff, paid for by savings made from the reduction of fees to Trustees.
4. New approaches to fundraising be explored such as connecting with New Zealanders living overseas who are interested in supporting an inspired conservation project like Zealandia.

Image and Pricing

5. The current Patron, who is no longer actively involved with the KST, be replaced by another notable New Zealander who shares the values of KST and would be prepared to promote Zealandia.
6. The new Board of Trustees (to be appointed in 2013) to make a decision on pricing of admissions based on a new strategic plan and close collaboration with WCC and Positively Wellington Tourism (PWT).

Relationship Management

7. The WCC be recognised as the main strategic partner of the KST with an enhanced partnership to continue into the long-term future.
8. Finance, human resources and information technology functions of KST be shared with the WCC to ensure more robust systems and closer cooperation.
9. High priority be placed on relationship management with all stakeholders and the public on the part of the Trustees, the CE, all staff and volunteers of KST.
10. Other strategic partnerships should be strengthened for the mutual benefit of the organisations. Initially these should include, but not be restricted to, Victoria University of Wellington (VUW), Te Atiawa and Ngati Koata Rangitoko ki te Tonga iwi, Royal Forest & Bird Protection Society, Department of Conservation (DOC), PWT, Wellington Zoo, Wellington Community Trust (WCT), and reputable international organisations interested in New Zealand biodiversity.

Governance and Management

11. The number of Trustees on the Board be reduced to five: three elected by the members of Zealandia and two appointed by the WCC (including the Chair of the Board).
12. Nominations for new Trustees be carefully considered with the collaboration of Zealandia and WCC to ensure the Board covers five crucial skill sets as well as governance (accountancy, conservation, fundraising, marketing and education) and gender balance.
13. Trustees be appointed for one three year term renewable for one further three year term but initially the terms to be spread across one year intervals.
14. Advisory Trustees be appointed by stakeholder groups (WCC staff, City Councillors, VUW (if not already represented on the Board), Te Atiawa Tenth Trust, DOC, volunteers and members, Guardians, Vice-Patrons) and be allowed to sit in on appropriate sections of Board meetings.
15. Trustees be paid an honorarium of \$1000 per annum and the Chair \$6000 per annum.
16. The tenure of the CE be set at three years with a renewal of 2 additional years, ie five years maximum.
17. The Trust Deed be updated according to recommendations 11-15.
18. The Funding Deed (between KST and the WCC) be amended to address recommendations 2, 7-8, 11-15.

Conservation and Education vs Tourist Attraction

19. The Interim Board of Trustees carefully assess the relative priorities of conservation and education relative to tourism for the future development of Zealandia.

In conjunction with the financial situation being dealt with by the Interim Board, they have acknowledged the present difficulties faced by Zealandia and have constituted four sub-committees to address them: governance, financial sustainability, marketing & fundraising and strategic partnerships. It is encouraging that these working groups are immediately seeking solutions to the issues documented in this review. It is also encouraging that these sub-committees include members of the Guardians and WCC staff. This in itself demonstrates improved relationship management on behalf of KST toward Zealandia stakeholders.

Appendix B

In the light of the enhanced partnership with the WCC, the KST has agreed to the terms and signed the lease covering the Sanctuary land and properties, a long-standing issue between the WCC and the KST. In addition, the KST has been having discussions with the Wellington Community Trust (WCT) regarding repayment of the outstanding \$800k remaining on a loan provided to the KST in 1999 to help build the fence. The KST has repaid \$700k plus interest on this loan to date.

The intrinsic value of Zealandia to the community and the city of Wellington should ensure that it has a bright future but it needs to confront and resolve some difficult challenges now. For it to be successful, trust needs to be built among the WCC, the KST (including its members) and the community with a determination that the value of the Sanctuary is worth preserving through financial difficulties and that it must succeed into the long-term future. Hopefully these difficult times will be looked back on in future decades as ones where the value of the treasured valley was tested but grew stronger as the extent of what Zealandia had to offer for the future became better defined and more appreciated by all.

Part 1 Findings and Issues

PURPOSE

This review has been written for the Interim Board of Trustees of Karori Sanctuary Trust (KST), the Wellington City Council (WCC) and the Guardians of KST to provide an independent view of the governance, management and operations of Zealandia (the KST) with the purpose of making recommendations to ensure a financially sustainable future. It is based on research on the internet, written documents held by the KST and the WCC and 59 interviews of people including many closely associated with Zealandia and representatives of stakeholder and interested organisations. It was conducted over the months of July-November 2012.

BACKGROUND and BRIEF HISTORY of the KARORI SANCTUARY TRUST

The Karori Sanctuary Trust (KST) is a not for profit community based conservation organisation with the core business of indigenous ecological restoration of the Karori reservoir valley and the surrounding city environs to create a world-first “mainland island” sanctuary in an urban environment. It has a 500 year vision to restore 250 hectares of forest to as close as possible to its pre-human state. It is also a place where people can enjoy the peaceful surroundings and learn more about New Zealand biodiversity and environmental issues.

The Karori Reservoir valley was identified as a priority site with extremely high natural values and restoration potential in the report “*Natural Wellington, a Plan to Preserve and Enhance the Natural Treasures of Wellington City*” published by the Royal Forest and Bird Protection Society (Forest and Bird) in 1990.

In 1993 the Wellington branch of Forest and Bird presented Wellington Regional Council and the Wellington City Council with a proposal to establish a native wildlife sanctuary in the Karori Reservoir valley (Lynch, J. 1993: *A Native Wildlife Sanctuary for Wellington City*). A steering committee and eight working groups were formed to study the feasibility of the proposal – from land tenure, predator-proof fence design and native animal and plant restoration, to management and financial viability. Representatives from the Department of Conservation, Greater Wellington Regional Council and Wellington City Council participated in the steering and working groups with representatives from the fledgling Sanctuary Trust. The study concluded the Sanctuary was not only technically and financially feasible but also timely given recent advances in pest eradication and species management for conservation.

Between 1993 and 1995 the Sanctuary proposal went through an approval process with the Wellington Region and Wellington City Councils. This included a Wellington City public consultation process to determine the level of support from local communities. Ninety percent of 1700 public submissions supported the wildlife sanctuary proposal and with agreement from the two councils the proposal proceeded to its next stage – the formation of a Sanctuary trust and the development of a management plan.

The Karori Sanctuary Trust was established in 1995 as a charitable Trust.

VISION, GOALS AND ACHIEVEMENTS

The vision of KST is:

To be a world-class conservation site portraying our natural heritage that captures people's imagination, understanding and commitment.

KST has five long term strategic goals:

- Conservation & Research
- Education
- Community Involvement
- Tourism & Recreation
- Corporate Management

Since the Trust inception in 1995, its vision has captured hearts and minds of many people and been seen as a valuable community enterprise. The achievements against each goal are summarised as follows:

Goal: Conservation & Research

To have:

- *fauna, flora and habitats representative of a Wellington ecological district coastal lowland and freshwater ecosystem restored in the enclosed area*
- *the indigenous character of the valley restored to the enclosed area*
- *key natural processes functioning in the enclosed area*
- *species dispersal and gene flow occurring in the wider city ecosystem*
- *knowledge and methodologies gained for application to conservation elsewhere*
- *made a contribution to national species recovery programmes.*

Achievements:

- Designed and built an 8.6km world-first mammalian predator-proof fence
- Undertaken the world's first multi-species eradication of 15 mammalian pests
- Re-introduced 17 species of native wildlife, many of which have been extinct from mainland New Zealand for over 100 to 200 years, improving the native fauna biodiversity by 115%, and contributed significantly to the national species recovery programme
- Re-introduced locally extinct plant species and planted almost 30,000 trees, shrubs, and grasses improving the biodiversity of native flora by 11% due to planting
- Most of the translocated fauna have bred successfully. Zealandia is now a reservoir for native fauna dispersal into the surrounding neighbourhood, and some like kaka are often seen in the gardens around Wellington homes.
- A living laboratory for where students and scientists can undertake innovative research and class studies which will benefit environmental, social, cultural and economical outcomes. Over 100 research studies/publications have been completed by staff, universities and industry.
- A model for many other conservation projects and sanctuaries in New Zealand and overseas. KST's ground breaking knowledge in conservation and restoration have been applied to ten other fenced conservation projects

including Maungatautari, Orokunui and Cape Kidnappers, as well as unfenced projects such as Boundary Stream.

- Voted as one of top 25 ecological restoration projects in Australasia

Still to be Achieved:

- restoring other aspects of the forest ecosystem such as reptiles and invertebrates and completing the removal of exotic fish from the freshwater ecosystem so that its recovery can continue and translocations of native fish begin
- some avian species will continue to be monitored to establish long-term viability – some species may need occasional “top-ups” of individuals to improve the genetic robustness and ongoing persistence of their population.
- ongoing annual poison operations to control mouse numbers
- ongoing maintenance of fence, bait-station and transect line infrastructure throughout the valley as well as vigilance of staff, volunteers and visitors to ensure Zealandia’s pest free status

Goal: Education

To have:

- *every school child in the wider region visiting Zealandia: The Karori Sanctuary Experience and understanding and appreciating their natural heritage*
- *visitors to Zealandia: The Karori Sanctuary Experience understanding and appreciating the uniqueness of New Zealand’s ecology*
- *tertiary students conducting high quality study of the ecology in Zealandia - Karori Sanctuary*

Achievements:

- A provider for Ministry of Education in the delivery of curriculum linked Learning Education Outside the Classroom programme, involving 5,365 school children Years 1-13 in class tours in 2011/12.
- 1,191 additional students of all ages took educational tours in 2011/12.
- Zealandia is a place for learning. In April, 2010, Zealandia opened a world class interactive exhibition which tells a New Zealand Conservation Story. This together with a live example of conservation in action - the sanctuary valley - provides an excellent accessible facility for learning about New Zealand conservation and environmental issues, and hence enhancing people’s understanding and influencing decision-making in their own environment.
- 58 research projects with seven New Zealand and Australian universities have been conducted in the sanctuary since 1995 in addition to two projects with Te Papa Tongarewa and one with the Department of Conservation.

Goal: Community Involvement

To have:

- *local iwi reviving their natural tikanga through participation in and use of Zealandia -Karori Sanctuary*
- *local people treasuring Zealandia -Karori Sanctuary and being an integral part of Karori Sanctuary Trust's operation*
- *conservation and other community groups supporting and being fully involved in the Karori Sanctuary Trust*
- *funders and businesses continuing to support the Karori Sanctuary Trust*

Achievements:

- Local iwi Te Atiawa Wellington Tenth Trust is involved and represented by a Guardian of the Sanctuary. Other iwi involved in KST are: Ngati Koata Rangitoko ki te Tonga, Te Whānau-a-Apanui, Ngāti Porou and Ngati Kahu.
- Over 450 volunteers participated through 25 groups ranging from being a guide and host to monitoring fauna and office work. An estimated \$25+m of volunteer and pro-bono services have been provided since inception.
- Over 11,000 individual members
- Supported by many community and conservation groups including Forest and Birds, Lions, Rotary clubs, Ornithological Society, Botanical Society etc
- Raised over \$19m from trusts, members, businesses big and small and individuals not including volunteer and pro bono services, WCC and WCT loans.
- The WCC as a major funder has provided just over \$7m of operational grants over the years, and a \$10m interest free loan to assist the development of the Visitor and Education centre.

Goal: Tourism & Recreation

To have:

- *Zealandia: The Karori Sanctuary Experience is accessible and appealing to all visitor types*
- *An internationally recognised tourism destination.*

Achievements:

- Zealandia attracted 89,643 visitations in 2010/11, an increase of 44% over 2009/10 due in large part to the new Visitor Centre. International visitors numbered 15,543 in 2010/11 and 19,340 in 2011/12.
- Zealandia is the only accessible attraction which showcases the New Zealand Conservation Story through interactive exhibition and a live example of conservation in action. The feedback has been excellent with a satisfaction factor of 9.1 against the average of 8.7 for New Zealand attractions.
- The awards and accolades include:
 - 2006, Skai International eco-tourism award
 - Rough Guide to NZ - one of top 35 must see places in New Zealand

- 2008, Tourism Award Conservation in Action
- Lonely Planet – unmissable green experience
- 2010, elected by UK broadsheet The Guardian as one of the top 75 green tourism companies in the world
- 2010 Virgin Holidays Responsible Tourism Award – best for wildlife and habitat

Goal: Corporate Management

To have:

- *a model for conservation management and sustainable development worldwide*
- *a financially secure enterprise returning a surplus for the advancement of other conservation projects*
- *a highly skilled workforce working as a team toward a common goal*

Achievements:

- Zealandia is a blueprint for many other conservation projects and sanctuaries around New Zealand and overseas. Its successes have generated a halo effect resulting in a number of community based sanctuaries being built around New Zealand such as Maungatautari, Orokunui, and Cape Kidnappers. The book Developing a Sanctuary: The Karori Experience (2002) is used as a handbook for establishing fenced sanctuaries.
- Zealandia is accredited Qualmark EnviroGold
- Staff are skilled and passionate in what they do and work toward a common goal.
- Zealandia received a \$6.5m grant through the Government's Significant Community Based Projects Fund, recognising its national, regional and local significance.
- Visitor numbers have grown since the Visitor and Education Centre was built, especially from the international tourism sector.

In summary, the Sanctuary has been very successful as a conservation and restoration project, exceeding all expectations and being recognised nationally and internationally for its achievements. Education and community involvement in regard to encouraging and channelling the interest of volunteers have also been big successes. However, success has been moderate in terms of tourist numbers. Community involvement of locals beyond members and volunteer workers has room for improvement and corporate management with regard to securing adequate resources is a pressing challenge.

CHALLENGES

Despite its successes, the KST is currently in an unhealthy financial state and its viability as an independent community enterprise is under challenge. It will require a significant change in a number of areas to address the issues that face it today: financial, image, relationship management, governance and management, and clarity over how the goals of both conservation and tourism can successfully cohabit.

Financial Issues

As mentioned above, the KST faces a serious financial challenge. Although KST was originally envisaged to become a self-sustaining operation, the completion of the Visitor and Education Centre (Visitor Centre) in 2010 left KST with significant debt, and a significant increase in overheads, at a time when the visitor market stagnated. See Appendix 1 for more information about this period. Even if the visitor market had stayed buoyant it is generally accepted that the visitor projections were unrealistically optimistic and unachievable. Zealandia has therefore failed to meet revenue targets by a significant margin.

Zealandia's funding comes from visitor revenue, membership subscriptions, donations, trading revenue (café, private functions and retail), sponsorship and grants. The WCC has been providing ongoing operational grants to KST for a number of years to sustain its operations even though Zealandia expected to be independent of WCC funding by 2012.

There has been an issue regarding asset replacement in that the KST has felt confident that it can raise funds for capital replacements when necessary but the WCC would prefer for Zealandia to hold cash reserves in its accounts. In 2010/11, KST had an operating surplus of \$1k but after depreciation of \$903k, had a deficit of \$902k. In 2011/12, these figures were a deficit of \$457k and after depreciation, a deficit of \$1.39m. Even with the anticipated WCC grant of \$350k in financial year 2012/13, the operational deficit is projected to be over \$493k before depreciation and \$1.43m after depreciation, with cash reserves anticipated to be less than \$300k as of June 30, 2013. Also, KST's largest private grant will end in March 2013, so even with the anticipated \$700k funding from WCC, financial year 2013/14 is also likely to end in a deficit of over \$1m (after depreciation) unless serious measures are taken to improve revenue or reduce expenditure. Yet the projected financials anticipate an increase in overall expenditure of \$150k and a decrease in revenue (excluding WCC funding) of \$164k in the 2012/13 year. The current business model is based on the assumption that a conservation project can be self-sustaining from visitation, fundraising, and membership revenue. Clearly, even with the additional funding support from WCC for the next three years, this business model is unsustainable without support from other stakeholders, at least in the short to medium term.

At this point in time, it is unlikely that KST will be able to secure any further government grants. Therefore, in order to increase other revenue, other areas of income must be closely investigated. With regard to visitor revenue, this is projected to decrease by 3.3% (primarily due to not having the additional revenue associated with tours to view the kākāpō Sirocco that drew 4,347 visitors while hosted at Zealandia last year). As visitation has been grossly overestimated in the past (for details, see Appendix 1), a conservative estimate is valid. KST does intend to increase membership revenue by 6.4% (\$19k), and this has already been accounted for in the net loss. However, unless an extremely successful membership campaign is launched soon, even the estimate of an additional 309 members is likely to be optimistic.

Sponsorships and grants have declined in the past two years and the loss of the largest corporate sponsor, Mitsubishi, is significant with no replacement envisaged at the point of writing. Largely due to this, KST's Statement of Intent 2012/13 forecasts sponsorships and donations to decrease by \$74k (25%). This can be seen as partly due to the fact that there were major fundraising efforts to build the Visitor Centre and now it is more difficult to fundraise for operational funding as opposed to capital development. A very strong positive communication strategy is needed in order for donations to increase. As one Trustee has made clear, this may well take up to three years. One optimistic point is that trade delivered through the travel industry increased markedly between 2010 and 2011 (\$527k, 202%) after the opening of the Visitor Centre. It is forecast to continue to increase by 7.5% which is helpful but not enough to make a significant difference in revenue. Once again, this has been included in the anticipated overall net loss.

Fundraising, including seeking grants, sponsors and donors, should be seen as a critical task for any non profit, non-governmental organisation, especially when the organisation is running a substantial deficit. Recent KST reports state that fundraising is important for any not for profit organisation but do not provide any specific fundraising strategy.

On the expenditure side, personnel costs make up 54.6% of total expenditure. Between 2010 and 2011, personnel costs increased by \$239k (15.7%) which includes additional staff for the Visitor Centre. However, at the same time, administration and management decreased by \$31k (17.6%) and other operating expenditure decreased by \$128k (15.7%). This would confirm information obtained from interviews with members of the KST management team who claim they have to reduce expenditure and not replace equipment except when absolutely essential which can be counterproductive in the long term. Furthermore they indicate that they are all working very long hours and operate with the bare minimum of support except for volunteer activities. In a staff of 29 FTE employees (including 11 part-time and casuals) it is unusual for have four people working full time in sales and marketing yet no one who has had time to devote to planning major fundraising activities. Large donations and grants have been handled by the CE whereas staff have run numerous small appeals that only brought in a total of \$40k. It appears that no more can be pared back from other operating expenses and insurance costs have increased by \$50k for 2012/13 (after having already increased \$60K in 2011/12). In fact some capital expenditure should be made to avoid greater expenditure in the future with regard to repairing equipment. As part of the new "enhanced partnership" between the WCC and the KST, WCC has agreed to assist KST with its back office functions like payroll, asset management, human resources and information technology. These shared services are currently being investigated jointly by staff from both parties. As of the time of writing, the final arrangement may not in fact result in significant cost savings, but is expected to provide more robust administration systems and transfer more risk to the WCC providing the WCC with direct access to KST operating costs and asset management.

It is apparent that business as usual will not solve KST's financial problems. It needs first and foremost to publicly acknowledge its reliance on WCC funding and support and the new obligations that the enhanced partnership may require. Also, fresh thinking needs to be directed into fundraising and partnerships that will ensure the financial stability of Zealandia into the future. It must demonstrate to WCC and other stakeholders that it can operate at a surplus and develop significant new streams of revenue.

Image and Pricing Issues

Overall, the KST appears to have a positive image among Wellingtonians as a conservation reserve. However, since the new Visitor Centre was opened in 2010, KST took on the brand name “Zealandia” and it was promoted as a major tourist attraction, people thought that admission fees more than doubled. This tarnished its public image. In fact, visitors could still go into the valley for only \$3.50 more than previously.¹ Also from this time, new membership cards required a photo on them and many members felt this indicated that the KST no longer trusted them. In addition locals were not sufficiently well educated about the meaning and history of the name “Zealandia” and perceived their community enterprise being taken from them.

Zealandia has benefitted from some positive stories in the media but also some critical reviews in the “Dominion Post” for its price increase and also for what the press interpreted as prolonged tensions between KST and WCC. In addition there have been a few unfortunate incidents in the media such as when advice written in the KST member newsletter was sent to the “Dominion Post” and some readers took offense at it. This advice was with regard to making outdoor areas more hospitable to native birds and considering carefully whether or not to own a cat. It is never easy to promote good news in the media or to refute bad news, but stakeholders should be able to expect that relevant journalists and sub-editors would be well informed and persistently educated about the positive events and achievements at Zealandia to reduce the risk of negative media reports. KST management assure the reviewer that this is already the case, but it is up to them to ensure that the very best relationship management skills are applied to this task so that it is done as effectively as possible. In addition, it did not help that differences between the WCC and KST were aired in public through the media.

Many of those who have been interviewed who are not directly associated with Zealandia claimed that they perceive there has been a persistent tone of “arrogance” or “exclusiveness” in the attitude of Zealandia supporters towards those who are not supporters. This is detrimental to achieving increased public support, donors and new members. Although difficult to achieve, it would improve Zealandia’s image if there were a culture change within the entire organisation to encourage a demonstrably more positive attitude toward “outsiders.”

Zealandia has lost one of its public persona, Sir Paul Callaghan, its champion, and its patron, Sir Michael Hardie-Boys, is no longer able to be actively involved with the KST. These men both contributed significant mana to the KST image and Zealandia is left with no popular national public figures to promote it. Sir Paul, in particular, was a strong advocate for the mission of Zealandia, a great communicator and an inspirational speaker. The Interim Board should consider carefully which public figures could be approached to be the new patron and the new champion for Zealandia.

¹Admission to the valley only increased from \$15.00 to \$18.50 but the new indoor innovative exhibition was promoted which also cost \$18.50. The total was therefore \$37.00 for both (which was more than double the original price) but offered much more than was available previously and the combined ticket was offered at the discounted price of \$28.00 (less than double the original price).

Relationship Issue

Most organisations rely on the quality of key relationships to help achieve their goals. Some of these relationships are external (e.g. suppliers, donors, media, associates) and some internal (partners, Board, staff, volunteers, etc.). Because of its nature as a community enterprise with many goals, KST has an unusually large number of these relationships. In recent years, the process of raising funds for the Visitor Centre was very challenging and put pressure on internal and external relationships. The relationship with the WCC became even more strained in the past ten months. A process of rebuilding these relationships is now essential.

Key stakeholder relationships include: strategic partners (WCC, Iwi, members, universities), volunteers, guardians, Board and staff. Additional stakeholders include: the Department of Conservation (DOC), Positively Wellington Tourism (PWT), Wellington Regional Council (WRC), Wellington Zoo, the local community, other council controlled organisations (CCOs), conservation groups such as Royal Forest and Bird Protection Society of New Zealand (Forest and Bird) and donors.

The quality of these relationships is vital to the health of the KST. During the recent debate over WCC governance options for Zealandia, the tensions aired in the public arena were due primarily to a breakdown in several of these key relationships, both internal and external. Some improvement in relationship management can be made by introducing processes but in the end the responsibility to build and maintain these relationships are with the Board and staff, particularly the Chair of the Board and the Chief Executive (CE). Furthermore, it is important for a culture of excellent relationship management to permeate all levels of the KST because everyone in the organisation including staff and volunteers deals directly with key stakeholders including the public. A full assessment of the quality of key relationships should be done annually.

Governance and Management Issues

The financial crisis has exposed the weaknesses of the governance of Zealandia. The Guardians, who were all Board members until 2009, were appointed to be Guardians when a new, smaller Board of Trustees replaced them. Their main role according to the "Trust Deed" is to appoint four trustees. They also have the right to remove any of these appointees or decline to renew their three year terms on the Board and their agreement is required to amend the "Trust Deed." However, the Guardians have no broad based mandate to replace themselves as they turn 75 and must retire.¹ The "Trust Deed" (adopted first in 1995 and amended most recently in 2009) does not give the members of the KST any powers to participate in these appointments which has made some of them feel disenfranchised, especially when serious issues arise. The response to the public consultation over Eco-City proposals re-affirmed how dedicated and passionate KST members are. However, the lack of true representativeness and the lack of timely and meaningful communication to them by the Guardians and the Board were very frustrating to many members.

Historically, the early Trust Boards were working boards as there were very few paid employees and the Trustees worked alongside the staff as one team. Over time, with more staff employed, the Board has become more professional and operates at a governance level to set strategy and policy and allow management to implement it.

¹Karori Sanctuary Trust, "Trust Deed of the Karori Sanctuary Trust Consolidated to 25 June 2009," Sections 8 & 9.

However, the role of the Guardians (who were all former Board members) has not been clear and the boundaries between the Guardians and Trustees over governance have been blurred. Members of the Board and Guardians have valued expertise to offer that should be called upon by management and staff (with the approval of management). However the roles of Trustees and Guardians need to be more clearly defined to avoid ambiguity in governance.

At all levels of Zealandia, in the past two years there has been frustration over the emphasis on cost-cutting which has led some managers to feel they are not able to exercise full authority over their areas of responsibility. This may have contributed to the high rate of staff turn-over in this period which has meant everyone has to be patient while new staff get up to speed in their jobs, more assistance for those roles is required from the CE, and greater demands are placed upon remaining staff and those who train new staff. It may have been inevitable that the CE had to focus predominantly on cost-cutting, but if she had been able to interact with stakeholders and the public more broadly and strategically, these strains on management may have been reduced. Another factor contributing to the CE's focus on internal management is the current flat management structure. Eight direct reports is very time-consuming for any CE. It is noted, however, that any changes to staff responsibilities or structure would have to go through a process of full consultation between the KST and Zealandia staff.

Conflict between Being a Sanctuary and Being a Tourist Attraction

One of the critical strategic issues that has to be addressed for the future of Zealandia is whether it will strive to be a major tourist attraction with all the implications that holds in terms of enhancing the visitor experience and becoming more of a commercial enterprise, or whether its new partnerships will focus more on its conservation goals. At the moment, KST is balancing between the two worlds, which is difficult at times. The perspective chosen in this debate will change the nature of Zealandia's partnerships. It is crucial in determining, for example, if there will be further development with Victoria University toward creating a closer relationship with the city and Zealandia in ecological conservation. KST is committed to contributing to goals of the Long Term Plan of the WCC and providing a public good of benefit to the city and the country. However if KST expects any further dependence on civic funds, it will have to acknowledge that the WCC has some right to determine how these funds are spent and accept closer scrutiny of its financials. If Zealandia is to choose conservation over tourism, then it will have to convince the WCC that it is a public good in its own right.

SUMMARY

Zealandia faces challenging issues that threaten its long-term sustainability. The most critical of these is financial, but others relate to image and pricing, relationships, governance and management and the mixed priorities of running a sanctuary and a tourist attraction. Part 2 of this review discusses how these challenges may be addressed in light of the new enhanced partnership with the WCC and offers nineteen recommendations for the Interim Trust Board to progress Zealandia's sustainability.

Part 2 – Enhanced Partnership with the WCC

On 12 June 2012 the Strategy and Policy Committee of the WCC agreed that an “enhanced partnership model” be adopted between the WCC and the KST. This involves updating KST’s governance and business model in a way that would more closely align the goals and operations of the WCC and the KST. It was recognised in the report presented to that meeting that Zealandia contributes to the WCC’s vision for Wellington in 2040 in the following ways:

- “Reflecting Wellington’s shared values as a sustainable, socially just city with a strong sense of community
- Creating an environment for research and inventiveness
- Building sense of community
- Supporting more compact, liveable urban form
- Adding to the city’s green credentials
- Creating a destination for international visitors.”¹

It is evident that Zealandia holds great value for the city. Both partners need to work together and build trust in order for the mutual benefits offered by Zealandia to prosper. If the WCC were to publicly acknowledge the value of Zealandia to the community it would certainly help improve its image in the community. This would seem a fair expectation of the WCC in its new enhanced partnership role.

The realisation of this partnership will take time and effort not only from the Interim and future Boards of KST but also from the Guardians, KST staff, KST members, WCC staff and the City Councillors. For it to be successful, trust needs to be built across these groups and a determination that the value of the Sanctuary is worth preserving through financial difficulties and that it must succeed into the long-term future. This is the spirit of cooperation that the WCC endorses in its documents on the future of Wellington.

The following section discusses improvements in governance, management and operations followed by nineteen recommendations that, if implemented, should assist KST and the WCC in building this partnership. There are three financial options presented with the first two related to an enhanced partnership and the third is a last resort measure that Zealandia become a council controlled organisation (CCO) where the entire Board of Trustees is appointed by the WCC.

¹Eco-City Proposal Paper, Strategy & Policy Committee, Wellington City Council, 12/6/2012, pgs 1-3.

GOVERNANCE

Governance “entails the functions of setting direction, making policy and strategic decisions, overseeing and monitoring organisational performance, and ensuring overall accountability. Non profit governance is a political and organisational process involving multiple functions and engaging multiple stakeholders.”¹

The structure that supports governance of an organisation has a strong influence on the effectiveness of that governance and the smooth running of the organisation. As noted above, KST was incorporated as a charitable trust in 1995. To remain so its constitution and any amendments must follow New Zealand’s Charitable Trusts Act 1957. The structure of KST governance is specified in the “Trust Deed of The Karori Sanctuary Trust Consolidated to 25 June 2009.” It defines the roles of the Guardians (a new group established by the Trust Deed) and the members of the Trust Board (Board) as agreed by the WCC and the KST in June 2009. The original was signed by the Founding Trust Board Members and the amendment was signed by two KST Trustees and the Chief Executive of the WCC.

In the current Trust Deed, the governance of KST is shared by three groups – the Guardians, the Board and the WCC. The seven Trustees on the Board are tasked with the functions of governance, while the Guardians and WCC have the role of appointing and, if necessary, removing Trustees. The Guardians also are required to sign off any changed to the KST Trust Deed. The WCC has the option of appointing the Chair.

Diagram 1 below illustrates the present system of governance.

Present Karori Sanctuary Trust Governance Model

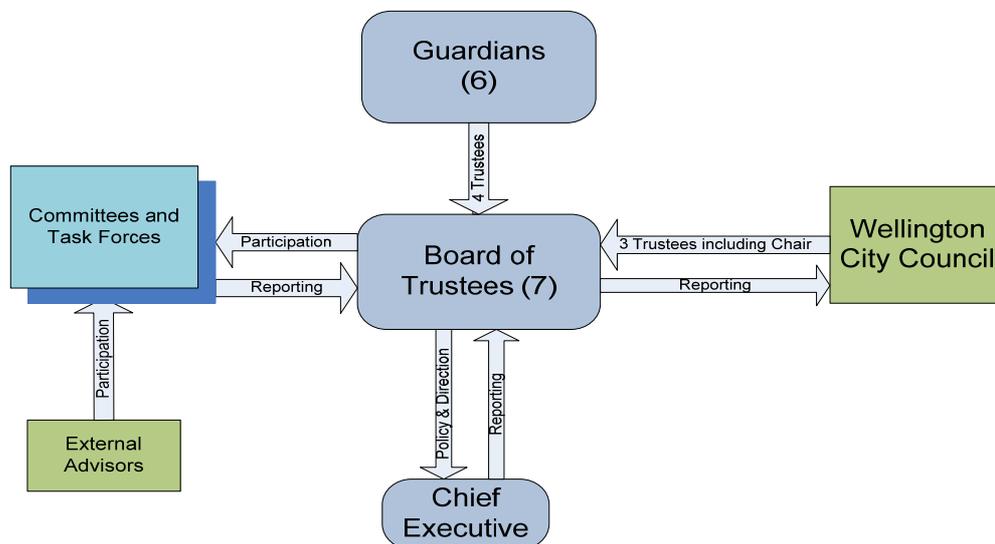


Diagram 1

¹David O Renz, “An Overview of Nonprofit Governance,” Midwest Center for Nonprofit Leadership, University of Missouri, p1.

For most not for profits, Board responsibilities include:

1. Determining the organisation's mission and purpose.
2. Selecting the chief executive.
3. Providing proper financial oversight.
4. Ensuring adequate resources.
5. Ensuring legal and ethical integrity and maintaining accountability.
6. Ensuring effective organisational planning.
7. Recruiting and orienting new Board members and assessing the Board's own performance.
8. Enhancing the organisation's public standing.
9. Determining, monitoring and strengthening the organisation's programs and services.
10. Supporting the Chief Executive and assessing his or her performance.¹

In addition, in recent years, the responsibility of managing risk is also included.

Addressing the Issues

The three governance related issues mentioned above on page 13 under "Governance and Management Issues" related to the role of Guardians, the desire of members to be more involved in governance and the professional nature of the Board. These issues may be addressed by a change in the governance structure of KST and very clear definitions of the roles of Trustees, Guardians, Advisory Trustees, external advisors, etc. Guardians hold considerable power at present even though they have not been privy to Board deliberations. If the Guardians and Vice-Patrons were able to act as Advisory Trustees to the Board, then their considerable experience and institutional knowledge could be represented through them to the Board. They would not have voting powers but would be welcome to sit in on Board meetings and under the guidance of the Chair of the Board, would be welcome to contribute to discussions.

In order to permit members to have more influence in the appointment of Trustees, they would elect the members of the Board that represent KST. The elections would occur at annual general meetings in advance of the expiry of the term of a KST-appointed Trustee. As each Trustee must fulfil specific criteria to ensure the balance of necessary skills within the Board, nominations would be handled by a nominating committee of the Board and then presented to the members for election. The Guardians could remain influential in the appointment of Board members via participation in this committee. In the case where a trustee resigns or dies in office and the appointment of a new trustee can not wait until the next AGM, a special meeting of the members would be held for the purpose of electing a new Trustee.

With regard to trustees becoming directly involved with day-to-day management rather than restricting themselves to policy setting and other governance roles, it is the responsibility of the Chair of the Board to monitor any such interference in management. Any transgressions on the part of the Chair of the Board need to be addressed by the rest of the Board and the Chief Executive. This fits well with the mature stage of a non-profit organisation as described by Adrienne DuMond:

"As a nonprofit enters maturity, the Board typically further reduces its operational role and increases its policy, oversight, and fundraising functions. For a typical nonprofit this will normally occur sometime after five or six years in operation. The chief executive must be able to successfully manage a trained staff, manage complex finances, and communicate the organization's vision and inspire staff with it.

¹From Richard T Ingram, "From Ten Basic Responsibilities of Nonprofit Boards, BoardSource, Washington, DC 2003.

A capacity to adapt will enable the nonprofit to consistently improve the quantity and quality of programs and services, and to develop the resources to support them.”¹

Proposed New Governance Structure

Nearly all the interviewees agreed that for the size of the organisation, five trustees was the best number for the Board. There was some concern that if not all the Trustees were able to attend each meeting that there would be too few to carry on the work of the Board. However many other boards operate with five trustees and chairs make every endeavour to seek meeting times that are convenient to all members

As in recent years, there needs to be close collaboration between the KST and the WCC to appoint trustees that cover the full range of required skills. This is especially true now that there is to be an “enhanced partnership” between the KST and the WCC. To this end, a skills matrix needs to be jointly developed between the WCC and the Board. In addition, all Trustees must be able to read and understand financial statements and as many as possible would have prior experience as a member of a governing board. It is also recommended in governance models that there be a gender balance.

Proposed Karori Sanctuary Trust Governance Model

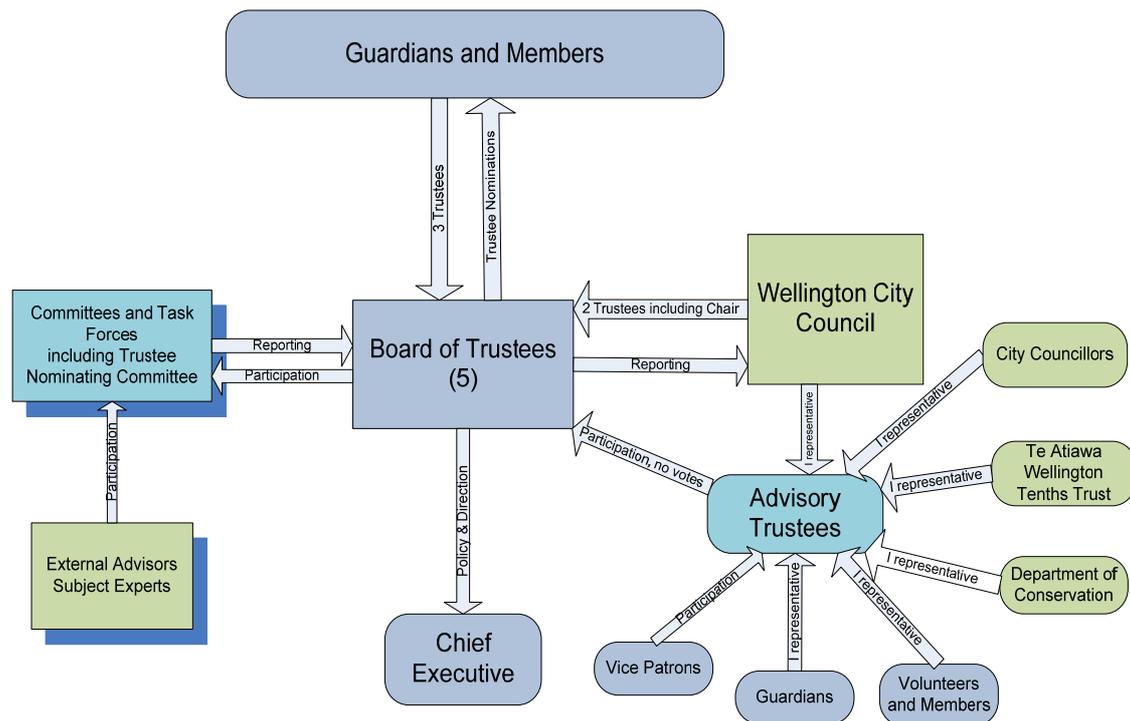


Diagram 2

¹Adrienne DuMond, “The Lifecycle of Organizations: What it Means for a Nonprofit,” Executive Coaches of Orange County, www.ECoFOC.org.

As well as experience in governance and financial literacy, the five Trustees would be selected to fit the following skill sets:

- Accountancy, preferably with business experience in New Zealand;
- Conservation, biodiversity or other relevant scientific expertise;
- Fundraising in a not for profit environment with fundraising networks;
- Marketing and/or tourism; and
- Education, preferably at the tertiary level.

The current Trust Deed stipulates a three year term for Trustees, renewable up to a maximum period of nine years service. The reviewer recommends that the tenure be one three year term with the right to be re-elected for a second term, ie a six year maximum length of service. A six year limit enables the Board to change and adapt to new political, economic and business environments. The renewal years need to be staggered initially so that, barring unforeseen circumstances, there are no more than two new Board members appointed in any one year. A Board task force or work group needs to rewrite the Trust Deed to align it with new governance structure and person specifications as agreed after completion of this review. The revised Trust Deed will provide guidance for the selection of the new Board of Trustees who are scheduled to be appointed in December 2012 and to take up their roles in January 2013.

Building and maintaining effective relationships is particularly important in the current environment for the Board. In the past there have been tensions between the Guardians, the Council and the Trustees. Unless this is corrected by better communication and positive involvement, this creates friction that impairs the effectiveness of the Board. Therefore, to encourage as many key stakeholders as possible to keep abreast of Board deliberations, one of the recommendations of this review is to include representatives of stakeholders as Advisory Trustees. Advisory Trustees would represent the Guardians, local iwi, elected councillors, senior WCC staff, a relevant national government department (preferably the Department of Conservation), the university sector (if not represented on the Board), volunteers and members. Each of them would be elected or nominated by his or her own representative body rather than the Board. Advisory Trustees would also include the Vice-Patrons. This would enable effective communication and involvement with stakeholders and create more cohesion across the organisation's multiple functions and multiple stakeholders.

The Chair of the Board needs to be a strong leader who can ensure that all voices including those of the advisory trustees are heard but still ensure that clear decisions are taken. It is proposed that the WCC retains the right to appoint the Chair of the Board and one other trustee while the KST retains the right to appoint the majority of the Board members which will be three out of five. However if the Chair is appointed by the WCC, he/she will not have a casting vote. As recognised by the New Zealand Institute of Directors, once trustees are appointed, their loyalty is to the organisation they govern as opposed to the one that may have appointed them.

Regarding remuneration, it is interesting to note that based on the Grant Thornton New Zealand Not for Profit Survey 2011/12, "only 13% of organisations offered a fee to their Board members. Of those who received a fee, a third received less than \$1,000, while just over a third received between \$1,000 and \$10,000."¹ The current remuneration for Trustees was set in 2009 when the Trust Deed and Funding Deed were updated. The amount was chosen to comply with other fees paid to WCC

¹Grant Thornton, "Survival: the ongoing challenge of having to deliver more with less, Grant Thornton New Zealand Not for Profit survey 2011/12, p 13.

directors on CCOs: \$13,000 per annum per Trustee and \$26,000 per annum for the Chair. There has been considerable discomfort amongst most Board members appointed by the KST that they receive remuneration for their services on the board. This is a matter of principle for them and it impacts on the impression that KST supporters have of the motivation of Board members. It is the practice that all Board members and directors appointed by the WCC are paid (with the exception of the Basin Reserve Trust), yet it is important to have one policy for all Trustees with the possible exception of the Chair. With all views taken into consideration, this review recommends that Board members receive an honorarium of \$1000 per year and the Chair (due to the increased workload of that position) receive an honorarium of \$6000 per year. In addition, all members will be reimbursed for any expenses related to attending Board meetings.

At least every three to five years it is important for every Board to review the purpose of the organisation in light of changing times and to conduct its own strategic planning. The mission and vision must be owned by the Board and accepted by each of the Board members for the Board to work coherently as a team. Strategic planning also provides clarity for the roles and appropriate behaviours of the organisation. Getting the right people in the governance and management roles is achieved partly by having clear role definitions and partly by having a transparent and democratic election process. Building and maintaining transparent processes includes having annual performance reviews for the Chief Executive and self-appraisals of the Board.

Governance Aspects of the Enhanced Partnership

As part of the closer relationship between the KST and the WCC, there needs to be trust built up through shared risk and clear communication. A recent study conducted by Plimmer Consulting investigated the governance of the WCC CCOs and concluded that the following factors determine the success of an entity closely allied to the WCC:

- “Clarity about the purpose and strategic direction.
- Clarity around the organisation’s roles and behaviours.
- Getting the right people in the governance and management roles.
- Building and maintaining transparent and accountable processes.
- Building and maintaining effective relationships.”¹

The Plimmer report goes on to explain the WCC’s role toward CCOs. This should also apply to the WCC and the KST:

- “Making sure that there is an appropriate and transparent appointment process for appointing members to the board.
- Making clear the performance expectations and the mechanisms and procedures that will be in place to assess and monitor performance.
- Clarifying processes for directly consulting with the community...
- Identifying the expected behaviours, for example are there circumstances when media communications from the [KST] should be run past the [WCC]?...
- Making clear there should be a ‘no surprises’ policy, and how that will be demonstrated.”²

¹Plimmer Consulting, “What Works? A report for Wellington City Council on getting the best from council-controlled organisations,” p 7, para 2.

²Ibid., p 42, para 152.

The best way to ensure a no surprises policy is to keep all lines of communication open. That is why the reviewer is recommending that two Advisory Trustees (one each from the WCC and the City Councillors) sit in on the Board meetings in order that they may report back to their constituencies after each meeting.

There is already a comprehensive reporting schedule from KST to the WCC that has been in place since 2009. It includes:

- Monthly financial reports to the CCO team;
- Monthly meeting of the Mayor, Chair of the Board, KST Chief Executive, and the WCC Chief Executive;
- Quarterly reports to the CCO team on financials and operations;
- Progress report each November on financials;
- Annual Report, audited financial statement, and report on any surplus funds;
- Annual Statement of Intent including an annual business plan; and
- Three Year Strategic Plan updated every year.

Some of these reports may not be necessary if the process of shared services creates a more open environment for exchange of financial information and the Advisory Trustees from the WCC and City Councillors report back after each Board meeting.

The need for a willingness on the part of all parties to communicate openly is included in advice from the Office of the Auditor- General (OAG):

“...structures and processes used to establish, govern and monitor CCOs are important, but the way the parties communicate, the topics they discuss, and their collaborative approach are crucial for achieving alignment. This expectation needs to be clearly set out in the competencies of potential directors, covered in their induction and training, and made explicit in the Statement of Intent.”¹

¹Plimmer Consulting, “What Works? A report for Wellington City Council on getting the best from council-controlled organisations,” p 57, para 227.

MANAGEMENT

In the early days of the Sanctuary it was known as “the project” and the first staff member that the founder Jim Lynch employed was Stephen Fuller as part-time project manager. In 1995 when KST was incorporated as a charitable trust it wrote its first Trust Deed and employed its first general manager (GM). The GM worked closely with the Founding Trust Board Members. As there were few paid staff, the Board worked collaboratively with the GM in daily decision-making. In 2002 the GM position was restructured to a chief executive position (CE) recognising the skills and experiences required for this next phase of development – the “Gateway Project” which evolved into the new Visitor Centre. In 2003 the first CE was appointed to develop and fundraise for the Gateway Project and visitor experiences as well as supervising work on conservation and education. In 2007, KST signed the Crown’s agreement with the Department of Internal Affairs (DIA) for \$6.5m, raised \$307k from private sector for the Visitor Centre and signed a Memorandum of Understanding with Victoria University. By 2009 when the Visitor Centre was being built, the CE became involved with managing engineers and contractors as well as the day to day management of KST.

After extensive loans and grants were made to the KST from government sources such as DIA, the WCC and Wellington Community Trust, relationship management with these bodies became more important than ever before. The WCC in particular has been a key partner since the beginning of the Sanctuary in offering the land that had been transferred to it from the Wellington Regional Trust and then a total of \$10.38m in loans. However, over the years, the WCC has not often received the public recognition from the Trust Board and the CE that it expected. The KST had always intended to be self-sustainable, in fact had originally been set up as a social enterprise where earnings were intended to exceed maintenance needs and be directed to other similar projects such as the Apollo Project. Therefore, the KST, although it recognised the value of the free use of the land and the loans, did not see additional WCC funding as essential to running the Sanctuary in the long-term. Now it is evident that the KST will require on-going financial support from the WCC and this necessitates close collaboration between the CE and senior managers of the WCC, the Mayor and the City Councillors.

The person specifications for the CE were written in 2002 and should be reviewed by the Board at least every five years to prioritise the skills needed at that time. In particular, the current stage of development and the external environment currently facing the KST require well developed relationship management skills and a strong ability to think strategically. It is also important that key performance indicators (KPIs) be linked to core responsibilities and that annual performance reviews be conducted by the Chair of the Board of Trustees. The reviewer understands that there were no performance reviews conducted for the CE between 2009 and 2011.

The greatest asset of any organisation is its people. A culture of openness, encouragement and appreciation is crucial to ensure that they are performing to the best of their ability. One useful way of assessing this is via 360° appraisal. Therefore it is suggested that this appraisal be done as part of the annual performance review process. It does not appear that there is any training or mentoring for managers to deputise in the absence of the CE or succession planning. Comments made by staff during interviews indicate that there are very few training opportunities other than basic training to perform job requirements. Once again the reason given has been lack of funding. The planned budget for 2012/13 does include \$10k for training but that amounts to less than one percent of personnel costs compared to a standard

three to four percent budgeted for training by most organisations. This small an allocation for training is not sustainable long-term.

The current management structure is flat with eight managers reporting to the CE. This is more direct reports than most similar-sized organisations where a major part of the CE's role is to focus outside the organisation on relationship development and fundraising. The disadvantage of the current flat structure is that more time is required of the CE to manage his/her management team and this impinges on the external focus of the position. The current CE explained that she used to have fewer direct reports but some of these tier two roles were abolished to reduce costs. The organisational model employed from 2005-2008 had five direct reports to the CE which was more efficient than the current model. This review recommends a maximum of six reports. This would enable the CE to be effective in applying his/her skills to the fullest and more time engaging with stakeholders and the wider Wellington community. Of course, any changes to organisational structure, staff job descriptions or conditions have to be part of a staff consultation process.

This review strongly recommends that a full-time fundraiser be appointed to report to the Sales and Marketing Manager. Although KST operates a very tight budget, the savings from the recommended reduction in Trustee fees are sufficient to fund this position. (The salary range for capable and experienced fundraisers for not for profits the size of Zealandia is \$70-80k.) At present, the Sales and Marketing Manager is involved in running appeals and donations but from a reactive and tactical perspective rather than a strategic one. This position should be one of direction and supervision rather than hands-on involvement with every event and appeal. The current Sales and Marketing Manager has been in the role for 16 months and has not had the time to analyse most fundraising activities individually to compare total cost against revenue. He recognises the need for this and looks forward to the opportunity to be able to do so.

In summary, this review recommends that the Interim Board appoint a full-time fundraiser. It also recommends that the Board consult with the CE and staff regarding the structure to reduce the number of direct reports to the CE. As routine practice, the Board should discuss with the CE the prioritisation of KPIs at every annual performance review which should also include a 360° appraisal. If implemented, these changes should improve the efficiency and effectiveness of the management of the KST.

OPERATIONS

There are seven main business functions performed at KST. Each will be addressed separately with recommendations where necessary.

Conservation

The conservation business function has always been core to the mission of KST. It is carried out by a team of three officers and one part-time contractor working under the Conservation Manager. The outputs of this team have been consistently higher than expectations and the manager has been working for KST for fourteen years. The only recommendation of the report in this area is that more thought be directed toward succession planning. It would be useful for the Conservation Manager to have a deputy among her staff so that one person would be ready to act in her place when she is on leave, ill or planning retirement. The Conservation Manager has been very successful not only with the introduction of new species and pest eradication but also has an extensive range of contacts in stakeholder organisations. Her staff also co-ordinate the work of dozens of volunteers who directly report to them. Her contribution to Zealandia is not only extremely important but her skills, knowledge, expertise and contacts are critical to the continuation of successful conservation ecology and biodiversity.

Education

The education business function has also been core to the mission of KST. The Education Manager has no full time staff reporting to him but has casual tour and education guides and part-time volunteers who act as guides and a convenor of volunteer guides and hosts. The Education Manager has been in the role for over three years and has been very successful at his job. However, as with conservation, it is not clear who would be able to step in to replace the Education Manager if necessary.

Facilities Management

This business function is carried out by a team of three facilities officers plus a part-time contractor reporting to the Facilities Manager. This is one of the roles where there has been recent turn-over in staff and the Facilities Manager took over the role from his manager when the latter left Zealandia. He has learnt on the job and like the conservation and education managers is very hands-on in his role. As many of the aspects of managing staff are new to him, this review recommends that he receive some training to assist him in that role.

Visitor Centre Operations

The Visitor Centre business function consists of the running and maintenance of the new Visitor Centre including the retail function, admissions, the exhibition and managing Zealandia bus shuttle drivers. The retail and admissions work is covered by casual staff and often the Visitor Centre Operations Manager pitches in to cover lunch breaks or staff shortages. The retail area has been improved over the two and a half years since the Visitor Centre opened and occupies a reasonably large space on the main admissions level that could be used for other purposes. For example, one possible use of the space would be for post-doctoral students to have offices. Alternatively, KST managers could be housed in the Visitor Centre and post-doctoral students housed in the two other buildings on the premises.

The retail area is open and attractively presented and brought in a net revenue of \$51,000 in 2011/12. Although this is not a large contribution, it does provide a service to visitors that enhances their experience. The quality of the retail items and the range are such that it could well be advertised in its own right. The general public is not likely to be aware that both the shop and café are accessed free of charge with free parking as well. One other option is to outsource the retail sales. At the moment, it is run at low cost because admissions staff also manage retail sales.

Food, Beverages and Functions

The Food, Beverages and Functions business has grown steadily since the opening of the Visitor Centre. Although it is quiet during winter months, this area draws a lot of customers during the rest of the year. In particular, weddings and other private functions have increased and are continuing to do so. In the 2010/11 year the net contribution made to KST was \$35,436. In 2011/12 it grew to \$60,336. The projected figure for 2012/13 is \$71,750. The returns since 2011/12 are in line with those received by CCOs that lease their premises to independent contractors.

The benefits gained from having in-house management are:

- KST values like Fair Trade and organic products are able to be upheld;
- Flow-on revenue comes from function attendees like boat rental, valley admission and membership which in-house staff promote;
- The linkages between KST services can be better managed;
- Zealandia café staff encourage clients to enjoy other KST activities and are knowledgeable about the Sanctuary; and
- Contractors would also have to be managed at some personnel cost.

Overall, the review considers that it is worth maintaining this business unit in-house as long as the net contribution grows year on year. If it declines or if other more lucrative options become available, it would be worth conducting a further cost/benefit analysis in the future.

Administration

This business unit handles the corporate functions of finance, human resources, and information technology (IT). With the enhanced partnership between the KST and the WCC, the details of these roles are currently in flux. It is likely that there will be some reduction in staff requirements for these functions and modest cost savings with the benefit of the WCC taking on more risk and providing more robust systems for finance, IT and human resources. As indicated above, the review recommends an Administration & Finance Manager to handle finance and executive assistance in place of the Finance Manager. Overall there should be improved services with the potential for modest cost savings to KST and the WCC will have better understanding of KST income and expenditure as well as greater confidence in how the figures are produced.

Sales, Marketing and Fundraising

This business unit covers not only sales, marketing and fundraising but also membership and communications. It currently consists of one manager and three full time staff. The staff include the Member and Visitor Coordinator and Receptionist, the Marketing and Communications Coordinator and the Trade Sales and Marketing Coordinator. They all started in their jobs in the past 19 months with the most recent only joining the team in April this year. It is within this business unit that the majority of revenue is produced and where more focus needs to be directed toward fundraising. There were two different managers in this role during the year previous to the current Manager's appointment 14 months ago. He has been directed to focus primarily on increasing the numbers of visitors to Zealandia (as per the current business plan) and to oversee the work of his staff with fundraising a lower priority.

The Communications Coordinator has been focused on the development of a new website for Zealandia which has taken more time than projected. It has just been launched, looks impressive and should help to promote Zealandia. As mentioned above, the past year brought challenges as well as successes for Zealandia in the media. If the WCC is expected to continue to contribute long-term to KST's operational funding, the Communications Coordinator and other managers may wish to think creatively about how to position Zealandia in the media alongside other CCOs such as the Wellington Zoo. Wherever possible KST should be partnering in advertising and promotions with the other CCOs and PWT.

It is recognised that this is a difficult economic climate for fundraising. For example, one of KST's stakeholders employs four full-time fundraisers and yet was unable to meet its fundraising revenue target this past financial year. Corporate sponsorship has become increasingly difficult to obtain, especially in Wellington with fewer large private companies than in past years. Even New Zealand government departments like the Department of Conservation (DOC) have employed staff to run campaigns to secure sponsorship for particular projects. Once DOC supported KST by sponsoring the salary of the conservation manager for her first two years in the job, but now their role as a key stakeholder, although very beneficial in practical conservation terms, does not include financial support. It will take a concerted effort for the Interim Board of Trustees and the new Board together with the CE supported by fundraising staff to secure the necessary grants, donations, and sponsorship to continue to run KST as an independent charitable trust.

Summary of Operations

The operations of KST must be improved to focus more on fundraising. Removing some of the administration responsibilities from the CE and adding a full-time fundraiser should assist with this. Although there has been high staff turnover in finance, sales and marketing, and facilities roles, the stability of the education and conservation business units has benefited overall operations. It is important that staff and volunteers are highly valued and increased training is recommended if sufficient funding is available in the future.

PRICING FOR ADMISSIONS

Over the past ten years, several studies have been conducted on pricing for visitor entry. The most recent one was carried out in October 2011 by Colmar Brunton. Although 80% of locals think the pricing was “quite expensive,” a small reduction of \$1-2 to the price would not make any difference. The most gains would be made by reducing the price of the valley admission by \$4, combined admission by \$8 for individuals and by \$16 per family. It was interesting that price was not the only factor as 60% of those surveyed did indicate that they planned to visit even at the current prices. It was also interesting that 73% of locals were unaware of membership options.

It is important to balance this research with Zealandia’s own data from international visitors who do not find the price too high. Therefore international visitors perceive greater value for money than local visitors do. This appears to be as much a function of communication and marketing as it is price. Most people not directly involved with Zealandia who were interviewed for this review stated the price was too high but those who were members did not think so. The marketing team at Zealandia is well aware of this research and the Manager for Sales and Marketing is planning a major membership campaign for this financial year.

At present there are a wide variety of “come now” offers to entice locals to visit Zealandia – Grab One discounts, Treat Me discounts, Entertainment Book coupons, coupons in local newspapers as well as special promotions on certain days for students and young parents with babies and gold coin days. These undoubtedly bring in more visitors but may also reduce the number who would have paid full price or purchased a membership if the offers had not be available to them.

Another recent report was done by Deloitte in May 2011 that analysed several scenarios of funding options and estimated the amount of subsidy required for locals to be offered free admission to Zealandia. Whereas in 2011/12, the WCC grant was \$40k and the subsidy per local visitor amounted to \$0.44, if locals were given free admission to the valley (but not the exhibition), the subsidy would rise to approximately \$14.40 per visitor in 2012/13 and \$13.90 per visitor in 2013/14. In 2014/15 the subsidy was expected to decrease to approximately \$12.10 per visitor due to improved net cash flow and increasing total visitor numbers.²

Based on the research conducted for this review, it is not recommended that the admission price for Zealandia be discounted unless it was the expressed desire of the WCC to fund the cost of making the valley free to locals. The risk of running further deficits is great even if communications were very effective prior to the discounted price being offered. The other consideration is that if locals were to gain free or discounted entry it would affect the number of memberships sold and the sense of community ownership that membership provides. It is the opinion of this review that for at least a period of one year, memberships should be promoted together with several means of encouraging locals to support the vision of Zealandia not as a tourist attraction but as a living, breathing experiment in biodiversity that benefits the health and well being of people as well as flora and fauna.

¹Colmar Brunton Report on Zealandia Pricing Research, October 2011.

² Deloitte Touche Tohmatsu Ltd., “The Karori Sanctuary Trust – Zealandia Funding Options - Final Report,” 27 May 2011.

FINANCIAL OPTIONS

KST's current financial situation is very serious with a deficit of \$1.39m (after depreciation) in 2011/12 and a further \$1.43m (after depreciation) at the close of this financial year. Over the period of this review, three clear options became apparent as future options for the KST. Although the terms of reference for this review only make reference to the first option below, the review findings have led the reviewer to recommend all parties consider two additional options as well. It is evident that no matter which option is chosen, the KST requires WCC funding for the foreseeable future to be financially sustainable.

A. Apply for the WCC funding recommended to the WCC Strategy and Policy Committee meeting on 12 July 2012

This option follows the suggestion made to the Strategy and Policy Committee that the WCC provide grants for the current financial year of \$350k and the next two financial years of \$700k to assist the KST with its operational expenditure.

PROs:

- This additional funding will assist KST by increasing its revenue.
- The enhanced partnership that accompanies this grant will align KST more closely with WCC goals and its Long-Term Plan.
- Shared services (finance, payroll, human resources, asset management) will be operated by the WCC for the KST at no increase in overall operating costs.
- The WCC will have increased confidence in the financial viability of the KST through monitoring its operational expenditure.
- KST will have the opportunity to demonstrate to the WCC that it is willing and able to work cooperatively with CCOs such as the Wellington Zoo and Otari.
- The KST retains a reasonable amount of independence with continuation of its governance based on a majority of Board members (three out of five).

CONs:

- This amount of funding will be insufficient for the KST to operate without a deficit in the foreseeable future.
- The KST will still have to raise \$1.433m before the end of the current financial year to avoid running a deficit.
- The \$1.433m fundraising required by KST will put a high level of strain on the new Board of Trustees commencing in January 2013 with only six months to achieve it.
- The expectation that this level of grant would enable the KST to be financially sustainable is unrealistic and risks setting up the organisation for failure to meet expectations.
- KST's financial insecurity may force the Board to feel compelled to make hasty decisions to enter into other long-term partnerships in order to increase revenue.
- According to the current financial year's budget, including the WCC \$350k grant, KST cash reserves will be depleted to less than \$300k by 30 June 2013 and this will not be sufficient for auditors to confirm "going concern" status for KST.

B. Request additional WCC funding for three years to ensure a more sustainable future

This option consists of requesting \$1.2m from WCC for three years, commencing with the current financial year. It recognises that this amount of funding will still require the KST to double its current revenue from donations, grants, sponsorship and appeals to match the amount of the WCC grant, but will provide a more viable base to do so.

PROs:

- This additional funding will assist KST by significantly increasing its revenue and provide a realistic opportunity to avoid running a deficit each year.
- Assuming the Board and management are able to meet KST financial targets, the reputation of Zealandia will improve and the WCC will gain confidence in its long-term viability.
- The enhanced partnership that accompanies this grant will align KST more closely with WCC goals and its Long-Term Plan.
- Shared services (finance, payroll, human resources, asset management) will be operated by the WCC for the KST at no increase in overall operating costs.
- The WCC will have increased confidence in the financial viability of the KST through monitoring its operational expenditure.
- KST will have the opportunity to demonstrate to the WCC that it is able to work cooperatively with CCOs such as the Wellington Zoo and Otari.
- The increased financial security will give KST more time to consider other long-term partnerships to increase revenue.
- The KST retains a reasonable amount of independence with continuation of its governance based on a majority of Board members (three out of five).

CONs:

- This will be difficult to sell to City Councillors and ratepayers who are not supporters of KST and see it as continuing to prop up an organisation that is not financially sustainable.
- The KST will still have to raise an additional \$600k before the end of the current financial year to avoid running a deficit.
- The \$600k fundraising required by KST will put some strain on the new Board of Trustees commencing in January 2013 with only six months to achieve it.

C. Transform the KST into a CCO

This option consists of changing the KST into a CCO which means that all members of the Board of Trustees would be appointed by the WCC and funding would be guaranteed by the WCC.

PROs:

- The KST Board will no longer carry the risk of resourcing the KST.
- The reputation of Zealandia will improve due to the Board and management being able to meet their financial targets and expectations.
- The KST will be seen as more aligned to Wellington's tourism industry and clearly contributing to WCC goals and Long-Term Plan.

- Shared services (finance, payroll, human resources, asset management) will be operated by the WCC for the KST at no increase in operating costs.
- The WCC will have confidence in the financial viability of the KST through monitoring its operational expenditure.
- KST will work cooperatively with other CCOs such as the Wellington Zoo and Otari.
- The KST will have more time to consider other long-term partnerships to increase revenue.
- The KST Board of Trustees will be closely aligned with WCC goals.

CONs:

- This will be difficult to sell to KST members, staff and volunteers and potentially to sponsors and strategic partners as well
- There is likely to be a public outcry from those who rallied to support the independence of the KST during the Eco-City consultations.
- There is a political risk to sitting City Councillors if this decision is perceived to override the results of the Eco-City consultations in May 2012.
- KST membership revenue will likely decrease by half and volunteers by one third at least in the first two years.
- It will cost the WCC approximately \$2.23m per year to operate the KST (based on an estimated decline of 50% of memberships and 33% of volunteer services and assuming the current amount of non-WCC donations, grants and sponsorship is retained).

RECOMMENDATIONS

The KST has met its expectations for conservation and for education and has become an award-winning tourist attraction for Wellington. However, its main challenges for the present and future lie in the areas of sustainable finances, governance and management. The WCC has made it clear that it will not allow the KST to fail but the question is in what form will the KST be sustainable. The above options give three different scenarios for the future of KST and this review proposes the following nineteen recommendations to improve the future sustainability of the Sanctuary.

Finance and Fundraising

1. The Trustees and CE urgently address the need to increase operating revenue by \$500k in 2012/13 and at least \$400k per annum thereafter to break even at the operating point and make provision for asset replacement in the future.
2. One of three financial models listed under "Financial Options" of this paper (moderate assistance from the WCC, more substantial assistance from the WCC, or becoming a council controlled organisation) be accepted as the basis for the business plan for the next three years.
3. A full-time professional fundraiser be appointed to Zealandia staff, paid for by savings made from the reduction of fees to Trustees.
4. New approaches to fundraising be explored such as connecting with New Zealanders living overseas who are interested in supporting an inspired conservation project like Zealandia.

Image and Pricing

5. The current Patron, who is no longer actively involved with the KST, be replaced by another notable New Zealander who shares the values of KST and would be prepared to promote Zealandia.
6. The new Board of Trustees (to be appointed in 2013) to make a decision on pricing of admissions based on a new strategic plan and close collaboration with WCC and Positively Wellington Tourism (PWT).

Relationship Management

7. The WCC be recognised as the main strategic partner of the KST with an enhanced partnership to continue into the long-term future.
8. Finance, human resources and information technology functions of KST be shared with the WCC to ensure more robust systems and closer cooperation.
9. High priority be placed on relationship management with all stakeholders and the public on the part of the Trustees, the CE, all staff and volunteers of KST.
10. Other strategic partnerships should be strengthened for the mutual benefit of the organisations. Initially these should include, but not be restricted to, Victoria University of Wellington (VUW), Te Atiawa and Ngati Koata Rangitoko ki te Tonga (Ngati Koata) iwi, Royal Forest & Bird Protection Society, Department of Conservation (DOC), PWT, Wellington Zoo, Wellington Community Trust (WCT), and reputable international organisations interested in New Zealand biodiversity.

Governance

11. The number of Trustees on the Board be reduced to five: three elected by the members of Zealandia and two appointed by the WCC (including the Chair of the Board).
12. Nominations for new Trustees be carefully considered with the collaboration of Zealandia and WCC to ensure the Board covers five crucial skill sets as well as governance (accountancy, conservation, fundraising, marketing and education) and gender balance.
13. Trustees be appointed for one three year term renewable for one further three year term but initially the terms to be spread across one year intervals.
14. Advisory Trustees be appointed by stakeholder groups (WCC staff, City Councillors, VUW (if not already represented on the Board), Te Atiawa Tenth Trust, DOC, volunteers and members, Guardians, Vice-Patrons) and be allowed to sit in on appropriate sections of Board meetings.
15. Trustees be paid an honorarium of \$1000 per annum and the Chair \$6000 per annum.
16. The tenure of the CE be set at three years with a renewal of 2 additional years, ie five years maximum.
17. The Trust Deed be updated according to recommendations 11-15.
18. The Funding Deed (between KST and the WCC) be amended to address recommendations 2, 7-8, 11-15.

Conservation and Education vs Tourist Attraction

19. The Interim Board of Trustees carefully assess the relative priorities of conservation and education relative to tourism for the future development of Zealandia.

FUTURE PROSPECTS

Wellington is very proud of its fame as “the coolest little capital in the world.” A major focus for the city is to become an eco-city. As stated in the WCC document WELLINGTON TOWARDS 2040: SMART CAPITAL, the eco-city concept “recognises the importance of Wellington taking an environmental leadership role as the capital city of clean and green New Zealand. Wellington’s many natural assets give the city a head start and opportunities as part of a green economy.”¹ The Karori Sanctuary is one of those natural assets and should play a central role in the city’s future as an eco-city.

Collaboration and mutual support through the enhanced partnership between KST and WCC is not only mutually beneficial but also very valuable to the local community. It is evident that KST will always depend upon a certain amount of funding from the WCC but this should be seen as a strength that binds the partnership into a shared vision, not a weakness.

The current economic climate may be difficult in New Zealand but KST should look further afield. There are vast sources of wealth overseas that have not yet been tapped. For example, New Zealand ex-patriots living abroad who are interested in conservation often want to give back to New Zealand in some tangible way. An initiative should be taken to reach some of these kiwis, especially those with links to Wellington, who may be able to make significant cash donations to Zealandia. Also, Wellington has sister city relationships with three foreign cities (Beijing, Xiamen, and Sakai with San Francisco a prospect for 2013) where companies may be willing to contribute to an urban conservation project like Zealandia as a way of showing interest and commitment to Wellington in order to enhance their business prospects in NZ. Also the Mayor had reciprocal visits of business delegations to/from Zhejiang province (180 Zhejiang delegates visited Wellington last month). Public relations is an important part for any business and demonstrating solidarity with NZ community enterprises is an excellent way of building goodwill for a company thinking of entering the NZ market. Zealandia should investigate which companies and organisations from these cities would be interested in increasing their NZ profile via support of a long-range cause like Zealandia. Developing three or four major sponsors that would be prepared to contribute to an endowment fund would remove the financial pressure caused by depreciation. This would improve the financial health of KST and boost financial sustainability.

By 2040, many things will have changed in Wellington. The “Dominion Post” predicted that Wellington’s population will grow older which may well benefit Zealandia as most supporters and volunteers are over the age of 40.¹ By 2040 Zealandia will have progressed further toward its goal for 2500 of recreating the flora and fauna of pre-human NZ. In the process, Zealandia will set an outstanding model for volunteerism and translocations of native flora and fauna, increased birdsong throughout Wellington suburbs, educated generations of students in biodiversity and conservation, preserved a natural urban environment, created a world-class tourist attraction, and contributed significantly to the biophilic city that will have attracted people from throughout the world for its healthy, modern lifestyle with close access to nature. The WCC will be proud to have invested and partnered in such a successful enterprise that will also have attracted investors both locally and internationally who recognised over decades and centuries the value of 252 hectares of a treasured valley.

¹Michael Forbes and Jody O’Callaghan, “Wellington elderly, set to exceed young,” “Dominion Post,” 1 Oct. 2012.

CONCLUSION

Zealandia's current financial situation is serious. It requires a major fundraising campaign to begin immediately to convince the WCC by the end of November 2012 that it should confirm at least the funding tentatively proposed in July 2012 of \$1.75m over the next three years. The Board and CE need to make their relationship with the WCC and fundraising their top two priorities if the KST is to become financially sustainable. However the strategic goals of the WCC and the KST are closely aligned with regard to developing Wellington as an eco-city. The enhanced partnership between the ECC and the KST provides great promise for mutual benefits and mutual support to 2040 and beyond. Rebuilding trust in the relationship is critical and will give more reason for the WCC to be proud to boast its investment in Zealandia. Steps have already been taken to address the recommendations made in this review and by the end of November 2012 there promises to be significant progress achieved jointly by the KST, WCC and the Guardians.

Although this is a very difficult period financially for Zealandia, there is a lot to show for the past nineteen years of tremendous effort and the dream remains to continue nurturing the valley for the next 500 years.

¹ WCC, WELLINGTON TOWARDS 2040: SMART CAPITAL, pg 13.

APPENDIX 1

History of Zealandia as a Tourist Attraction and the Eco-City Public Consultation

In 2002 City Councillors and KST Trustees commenced detailed planning of the Visitor and Education Centre (Visitor Centre) project, providing a total package of visitor experience and visitor services to meet the international standards expected by tourists. The Visitor Centre was expected to bring in more visitors and hence increase revenue to enable KST to be financially sustainable. In 2005 the KST Business Case for a new Visitor Centre developed jointly between KST and Positively Wellington Tourism (PWT) was approved by the WCC after the Department of Internal Affairs agreed to provide a grant of \$6.5m from its Significant Community Based Projects Fund. Recognising the environmental, social and economic benefits to the city of Wellington, the WCC committed to provide transitional operational grants and a loan of \$10m to assist in the development of the Visitor Centre. The last transition grant was \$40k, paid in 2011/12.

The projected visitor numbers in the Business Case were 144,000, 172,000, 196,000, 196,000 and 199,000 for the five years 2010/11 to 2014/15 respectively. The numbers were based on official Ministry of Tourism forecasts and assumed penetration rates developed by PWT and were peer reviewed. The Board adopted the visitor numbers after engaging an independent expert to review the reasonableness of the figures, based on research of domestic and international visitors in 2008, with respect to public awareness of Zealandia, interest in the product and price elasticity.

The new Visitor Centre, including the unique permanent natural history exhibition opened in April 2010. Overall, from visitor feedback and international tourism trade, the new experience was deemed a success. However visitation never reached the levels expected. The Trust achieved 89,000 visitors for the financial year ending June 2011, an increase of 44% visits compared to the previous financial year. This was considered a great achievement by Zealandia despite a depressed economy. However, it was 38% below the target of 144,000. In addition, at the end of financial year 2011/12, visitor numbers decreased to 87,897 rather than increasing to the overly optimistic 172,000 and revenue levels continued to decline.

Since January 2011, the Board had been advising the Mayor, the Council Chief Executive and staff at the council controlled organisations team of WCC that Zealandia visitor numbers were far below expectations and of the effect this was having on KST revenue. The Board sought external advice to evaluate the reasons for the lower than forecast growth rate of visitation. The report indicated the shortfall stemmed from deterioration in market conditions and overly ambitious assumptions concerning market penetration. It stated that in general, the global economic recession and domestic economic stress due to the Christchurch earthquakes exacerbated the effect of the overly optimistic visitation rates.

Not only were visitor numbers much below expectation but total income from sponsorships, grants, appeals, donations and bequests for financial year 2010/11 were 25% less than the previous year. One reason given for this in the KST annual Report for 2011 was “the reduction was due to the delay of the street collection (because of the Christchurch earthquakes)...” The Board also commissioned Deloitte in May 2011 to model a range of operating scenarios to assess the implications of different options. The four sets of scenarios ranged from “status quo,” various pricing, mothballing the visitor centre to full closure. The report concluded

that all options modelled required additional financial support, and that the current (status quo) model produced the lowest cost outcomes short of closure, while preserving all options for operating the sanctuary differently in the future.

KST management reduced costs, developed and implemented various initiatives to enhance visitor experience, implemented a free shuttle from city to Zealandia, undertook a Colmar Brunton study on pricing in October 2011, and has had discussions with various stakeholders (DOC, Te Papa, the Zoo, Forest and Bird) to find opportunities to increase revenue but there has been little success to date. Board members became uncomfortable at the prospect of seeking sponsor funding when the future of Zealandia was not certain. They did not want to risk giving false impressions of Zealandia as being a viable concern.

By mid 2011 the KST had cash reserves to fund deficits for two to three years, but still required operational funding for at least three years to remain viable. In October 2011 the KST submitted a report to the WCC entitled "Towards Financial Sustainability" in which it sought \$3.9m from the WCC over three years. It also acknowledged that further funding would be required from the WCC beyond this period.

After discussions with the WCC including the Mayor and WCC Chief Executive, in November 2011 the Board reduced its request to \$2.85m (over three years) and then in March 2012 the revised request was for \$2.8m over three years with funding in the future beyond that reducing by \$100k per annum. In April 2012 the KST further reduced its funding request to \$2.1m, \$700k per annum for the next three years. In order to run on reduced funding, the KST proposed to:

- to reduce the number of trustees from 7 to 5 (saving \$26k per annum);
- to utilise shared services with WCC (saving approximately \$25k);
- to spend cash surpluses of \$200k per annum.¹

In response to the KST's request for funding, the WCC formed a Zealandia Working Group which included three Councillors and the Chair of the Council Controlled Organisations Performance Subcommittee (CCOPS) to establish governance options to present to the WCC Strategy and Policy Committee that lower the risk to the WCC of agreeing to the funding request. This group defined the criteria to assess governance options as:

- Preserve the identity of the Sanctuary as a place for conservation of New Zealand's nature heritage, flora and fauna, wildlife and as an ecological asset to the City;
- Maintain the Sanctuary as a place for visitor attraction and education; and
- Reduce the cost to Council and ratepayers.

The WCC proposed funding Zealandia on the basis that four proposed options identified by The Working Group go out for public consultation. These options were as follows:

- "Eco City" Council Controlled Organisation (CCO) option – A new CCO established to manage the operations of the Zoo, Zealandia, Otari Wilton Bush and the Wellington Botanic Garden. There would be one board appointed by the WCC and one common senior management team. (This was the WCC's preferred option).

¹WCC Strategy and Policy Committee Meeting Paper, "Eco-City Proposal," 12 June 2012, p 14.

- Wellington Environmental Visitor Attractions option - Zealandia and the Zoo are individual trusts with common trustees, all appointed by the WCC, and one common senior management team.
- Parks and Gardens option - Zealandia to merge into Parks and Gardens WCC operations.
- Standalone CCO – Zealandia remains as a standalone entity but the CCO Board (the Trust members) will all be appointed by the WCC.

KST took the view that “an independent community-based organisation, working in partnership with Council, is the strongest basis for continued progress and believes that none of the proposed City’s Eco-city options will support and advance the sanctuary vision or the city vision”.¹ The Board and management encouraged KST volunteers and members to send in submissions that supported the Trust’s viewpoint. Submissions were received from 16 April–18 May 2012. Out of a total of 1678 submissions received over the consultation period, 1324 came from the Zealandia website (78.9%) and rejected all four proposed options in favour of remaining independent.

This led to WCC having to decide whether or not to provide the requested funding to Zealandia outside the preferred options that it had put up for consultation. Based on the KST’s poor financial performance and what appeared to the WCC as vacillating amounts of requested funding, the WCC had lost confidence in the KST to provide sound financial data and stick to its budgets. KST argues that the changes in their funding request were the result of very hard work to accommodate funding restrictions imposed by the Zealandia Working Group. As long as Zealandia was determined to remain independent in its governance, (eg not becoming a CCO), the WCC was not prepared to take the risk of granting it more ratepayer funding unless it could be convinced that the KST Board had a sustainable business plan to ensure financial stability into the future that would not incur more unexpected demands on WCC funding. The WCC voted to appoint jointly with the KST Guardians (as specified in the Funding Deed of the Sanctuary Trust) an Interim Board of Trustees to run Zealandia and conduct an independent review of governance, management and operations to be carried out during the period from July – November 2012.

¹The pre-populated submission form circulated by Zealandia to its members & supporters.

APPENDIX 2

Names and Designations of Interviewees for this Review

Guardians of the Karori Sanctuary Trust

Richard Bentley, CMNZ, Chair

Andy Foster

Stephen Fuller

Peter Love, Senior Elder, Te Atiawa

Jim Lynch, QSM

Dr Colin Miskelly

Michael Morris, ONZM

Interim Board of the Karori Sanctuary Trust

Kevin Brady CMNZ, Chair

Dr Russell Ballard

Professor Charles Daugherty

Pam Fuller

George Hickton

Graeme Mitchell

Steve Thompson

Management Staff of the Karori Sanctuary Trust

Nancy Ward, CE

Michael Ayne

Anna Burns

Alice Deacon

Russ Drewry

Raewyn Empson

Juliane Hoffman

Brian Ireland

Peter Laurenson

Peter Liu

Kathy Luke

Lauren Schaer

Volunteers and Members of the Karori Sanctuary Trust

Bev Abbott

Judy Briggs

Dale Burrell

Steve Cosgrove

Marie Hampton

Karen Koopu, Te Whānau-a-Apanui, Ngāti Porou and Ngati Kahu

Gill Mason

Alan Perry

Merle Ryburn

Faye Schaef

Mayor and Wellington City Councillors

Celia Wade-Brown, Mayor

Ian McKinnon QSO JP, Deputy Mayor

Ngairie Best

Andy Foster (also listed above under Guardians)

John Morrison

Helene Ritchie

APPENDIX 2

Names and Designations of Interviewees for this Review (ctd)

Members of Parliament

Peter Dunne, Associate Minister for Conservation, MP for Ohariu

John Hayes, MP for Wairarapa

Grant Robertson, Labour Spokesperson for the Environment, MP Wellington Central

Stakeholders

Mike Britton, General Manager, Royal Forest and Bird Protection Society of NZ

Karen Fifield, CE, Wellington Zoo

Alan McKenzie, Conservator, Wellington and Wairarapa, Department of Conservation

Al Morrison, Director General, Department of Conservation

David Perks, CE, Positively Wellington Tourism

Donors

Faith Taylor

Noel Todd (also previously on the Board of Trustees)

Wellington City Council

Warwick Hayes, CCO Project Manager

Samantha Hopkins, Associate Business Improvement Manager

Andy Matthews, Financial Advisor, Change Management Team

Natasha Petkovic-Jeremic, Portfolio Manager, CCOs

Rosalind Plimmer, Consultant, Change Management Team

Allan Prangnell, Executive Strategist, Strategy, Planning & Urban Design

Michael Scott, Manager, Building Compliance and Consents