

PURPOSE

As part of Wellington City Council (WCC) commitment to an enhanced partnership with Karori sanctuary Trust (KST), an independent review has been carried out on the governance, management and operations of Zealandia. This paper sets out the response of the interim board of Trustees of Karori Sanctuary Trust to the recommendations of the independent review.

EXECUTIVE SUMMARY

The independent review of the governance, management and operations of Zealander has been completed. The review concluded that KST has been very successful in many of its objectives, but there is room to improve in various areas including the challenge of securing adequate financial resources. The report also acknowledges Zealandia plays a significant role in Wellington's 2040 vision, and provides 19 recommendations.

The major recommendations include a change in governance structure to allow for more community involvement; increase operating revenue; strengthen partnerships and three financial options (moderate assistance from WCC, more substantial assistance from WCC, or becoming a Council Controlled Organisation).

The interim board is grateful for WCC's enhanced partnership commitment and has been working with WCC's officials and the guardians on developing a number of strategies to address the review's recommendations, including a comprehensive fundraising strategy.

The interim board's preferred financial option is Option B (more substantial assistance from WCC), as this option will provide a more viable base and allow time for KST to implement its strategies. However it also acknowledges that the amount of funding required by KST will depend on the success of its various strategies over the next few years. Given that WCC officials have reviewed KST's financial forecasts and concluded that they are robust, the interim board recommends that WCC:

- approves KST's original funding request which provides for \$700,000 per annum for the three years 2012-13 to 2014-15 respectively, a total of \$2.1m for the three years
- agrees that KST will require an ongoing level of funding beyond 2014-15, and that the level will be reviewed and included in the Annual Plan and 2014-15 LTP.

INTRODUCTION

In June 2012, WCC acknowledged that Zealandia contributes to 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.”

To position Zealandia well for the future, WCC has committed to an enhanced partnership model with KST and set aside in the last LTP, a provisional grant of \$1.75m for KST for the three years 2012-13 to 2014-15.

The independent review is now complete and is attached to this report. In summary, the review concluded that:

“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.”

The independent review also noted that:

“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.”

The independent review report makes 19 recommendations under five areas (Finance and Fundraising, Image and Pricing, Relationship Management, Governance and Management, Conservation and Education vs Tourism) where improvements could be made. The interim board constituted four sub-committees which include members of the Guardians and WCC staff to develop strategies to address these improvements. The interim board’s response to the independent review’s recommendations is detailed below for WCC consideration.

Finance and Fundraising

Independent review’s recommendation 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.

KST response

- The interim board notes that the financials as submitted to WCC in the past are robust and have been accepted by WCC officials and the independent reviewer during the review. Despite the difficult trading climate and an

expected operating deficit of close to \$500k, KST is still operating within the budget with forecast small cash reserve by the end of the financial year.

- However, the interim board acknowledges that KST needs to develop strategies to increase its operating revenue. The marketing and fundraising sub-committee has been working on developing strategies to address KST's funding gap.
- KST has three main sources of revenue – visitors, members and donations/grants. Given the current tourism and economic climate, the sub-committee believes that the major opportunity for improving revenue in the foreseeable future will be from the local market, and in particular, from members because of the associated donations, grants and sponsorships that emanate from this relationship.
- The sub-committee believes that KST needs to implement a three part strategy which will take at least the next three years to conclude. The three parts strategy is as follows.

1. Stage one - Public Relations

The sub-committee believes that firstly KST needs to reposition the value of Zealandia in the minds of Wellingtonians. With the help of WCC, KST will start telling a “new” story about Zealandia and its future in partnership with WCC, and the notion of giving a "Treasured Valley" to all Wellingtonians. WCC is a crucial partner in this exercise as it is their support as a Strategic Partner and on-going commitment which will provide the market place confidence to support KST fundraising programmes.

This repositioning of the value of Zealandia in the mind of Wellingtonians will allow us to significantly increase membership numbers and the associated donations that community good-will can engender, and this in turn will also effect the relationship with other funders and sponsors. As stated in the independent review:

“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.”

2. Stage Two – Membership drive

This stage will focus on a membership drive in the Wellington community with the objective of increasing KST's membership base to over 6,000 by 2015.

3. Stage Three:

The increased membership will be the key donor base for KST's fundraising campaigns. KST will also aim to improve its performance with sponsors and other donors by implementing a series of fundraising campaigns that will

target private philanthropic gifts, community trusts grants and corporate sponsorship. The target is to increase revenue from this source to \$350k pa by 2015.

- KST has already embarked on developing the PR strategy in conjunction with WCC's public relations team. Detailed planning is also underway in evaluating various options of membership structure and how we can do things differently to achieve our goal. For example, the current membership programme is sold more as a "frequent visitor programme." The new programme will focus on "supporting a cause". The following attributes will form the base of our new structure:
 - A simple membership structure that has minimal barriers to entry.
 - A compelling call to action that runs through all communication collateral that focuses on the core emotive to become a member.
 - Regular, open communication programmes to ensure that loyalty and involvement is maintained.
 - On-going effective opportunities for members to support our cause either by volunteer labour or financial donations
- See recommendation 6 re local pricing.

Independent review's recommendation 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.

KST response

- In the last LTP, KST requested \$2.1m for the three years from 2012-13 to 2014-15 based on the current business model and included a number of assumptions such as securing additional funds from donors/sponsorships; savings from shared services and from reduction of the number of trustees. WCC approved a transitional grant of \$1.75m, a shortfall of \$350k.
- The independent review report recognised that KST has been and is operating with a very tight budget. It suggested three financial options to be considered by WCC and the pros and cons of each option were detailed. The interim board's preferred option is Option B, as this option will provide a more viable base and allow time for KST to implement its strategies.

However, the interim board acknowledges that the amount of funding required by KST will depend on the success of its various strategies over the next few years, such as the fundraising strategy.

WCC officials have reviewed KST's financial forecasts and agreed that they are robust. This, together with the uncertainty about level of funding required for KST, the interim board recommends that WCC:

- approves KST's original funding request which provides for \$700,000 per annum for the three years 2012-13 to 2014-15 respectively, a total of \$2.1m for the three years
- agrees that KST will require an ongoing level of funding and that the level will be reviewed and included in the Annual Plan and 2014/15 LTP.

Independent review's recommendations 3 and 4

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.*

KST response

- The Interim board notes the recommendations made by the independent reviewer and these will be referred to the new board to consider.

Image and Pricing

Independent review recommendation 5

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.*

KST response

- The Interim board notes the recommendations made by the independent reviewer and these will be referred to the new board to consider.

Independent review's recommendation 6

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).*

KST response

- KST acknowledges the need to evaluate the pricing for the local visitor market. Discussion has been held with PWT and KST is working with Council's officials in identifying the impact of various level of pricing. The result will be considered by the new board along side the memberships strategy as outlined above.

Relationship Management

Independent review's recommendations 7, 8, 9, 10

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.*

KST response

- The interim board acknowledges due to the nature of KST, it has an unusually larger number of stakeholders and that the quality of these relationships is critical to ensuring the success of KST. The strategic partnership sub-committee has been focusing on strengthening key relationships in the last few months.
- KST is grateful of WCC support with the enhanced partnership model. WCC will be recognised as the main strategic partner of the KST with an enhanced partnership to continue into the long-term future. The spirit of this relationship is reflected in the collaborative work between KST and WCC's officials in the past few months, and the proposed governance structure. Examples of collaborative work includes:
 - working with WCC officials to transfer some of the backroom services to WCC which will ensure more robust systems and closer cooperation
 - agreement to the terms of the lease covering the Sanctuary land and properties, a long-standing issue between WCC and the KST and
 - involvement of WCC's officials as part of the sub-committees.
- Discussions were held with the Wellington Community Trust (WCT) and a letter has been sent to them proposing the conversion of the outstanding \$750k loan into a grant. The loan was provided to the KST in 1999 to help build the fence. The KST has repaid \$750k plus interest on this loan to date.
- The interim board has also recently invited Victoria University to further discuss how we can grow the relationship between the two organisations. In particular, to explore the possibility of basing Victoria University staff and students at Zealandia. Zealandia could provide a special research and

teaching environment that would attract students, and in return their work could benefit from increased opportunities to contribute to the work of Zealandia and growing our contributions to the Wellington region – a living laboratory in ecology restoration. The Deputy Vice-Chancellor (Research) has confirmed in writing their keen interest of KST's proposal.

Governance and Management

Independent review's recommendations 11, 12, 13, 14, 15, 16, 17, 18

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's 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.*

KST response

- In considering the recommendations made by the independent reviewer on the governance structure, the interim board adopts the principles that:
 - the members need to have more influence in the governance of KST
 - there is clear separation between governance and management
 - there are clear lines of accountability
 - there will be visibility of outcomes for key stakeholders and
 - the proposed governance structure will bring effect to efficient operation of Zealandia

- The interim board recommends a variation to the governance structure as proposed in the independent review. The revised proposal is as follows.



- A group named the {Guardians} is to be established. This group is seen as a stakeholder group and will comprise of three elected KST members, an iwi representative, a nominee from VUW, a WCC Councilor (Portfolio Leader), one of the Patron and Vice-Patrons, and the Trust Board chair. The Trust Board members can attend meetings as observers. The {Guardians} group will meet quarterly and elect its own chair.

The existing guardians group will be disestablished.

It is also proposed that the revised deed allow for additional people and / or groups who meet the key stakeholder criteria to be invited to join the group as and when the occasion arises.

The role of this group is to

- Act as guardians of the Trust's vision, values, mission and strategic direction and approve any changes to the Trust Deed.
 - Represent stakeholder interests
 - Manage the Trust Board appointment process for non-Council appointees
 - Provide advice on the SOI
 - Provide advice on the health of the organisation
 - Receive and provide feedback on reports
- The number of Trustees on the board is to be reduced from seven to five, with three members appointed by the {Guardians} group and two

appointed by WCC (including the Chair of the board). The interim board further proposes that the board has the right to appoint up to two additional trustees for one term to cover specific skill sets.

- Nominations for new Trustees are to be carefully considered with the collaboration of Zealandia and WCC to ensure the Board covers five crucial skill sets (finance, conservation, fundraising, marketing and education) as well as governance experience and gender balance.
- Trustees term is to be reduced to a maximum of two three-year terms.
- The independent review proposal with regards to the level of trustee fees (\$6,000 for the Chair and \$1,000 for other members) is noted. This will be referred to the appointing bodies to determine.
- The Trust Board is the primary board, responsible for the governance and overall running of KST.
- The tenure of the CE is to be fixed at three years with an option for an additional two years. The incumbent may be appointed. While the independent report did not make any recommendations with regards to staff, the comments made in the report about staff structure etc will be considered by the new Board and the chief executive. No changes will be made without full consultation with staff.
- The Trust Deed and Funding Deed are to be amended to address the above recommendations.

Conservation and Education vs Tourist Attraction

Independent review's recommendation 19

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

KST response

- The interim board confirms the principle that KST is a conservation organization which engages in tourism as a means to meet its goals. However it acknowledges that conflicts exist from time to time depending on the focus and the priorities of various goals at different stages of the organisation. The focus and relative priorities would also have implications on the type of strategic partnerships it enters into, and how resources are to be applied.

Consistent with the strategic partnerships, this issue needs to be considered in conjunction with WCC and the {Guardians} group. The interim board proposes that WCC and the {Guardians} group provide further direction and clarity to the new board on the issue.