
REPORT 2
(1215/52/IM)

WELLINGTON MUSEUMS TRUST FUNDING PROPOSAL

1. Purpose of Report

This report outlines a funding and organisational strategy presented to the Council by the Wellington Museums Trust in response to its concerns about the sustainability of its financial position, and provides recommendations for the Committee to consider for the 2009/19 draft LTCCP deliberations in March 2009.

2. Executive Summary

The Wellington Museums Trust signalled some months ago that it considered its current funding levels to be unsustainable and under significant pressure. In response, the Trust has developed and submitted a funding and organisational strategy (**see Appendix 1**) for the Council's consideration. The drivers of the Trust's financial pressures are:

- unmet inflationary pressures, and declining external revenue as a proportion of income, have resulted in the Trust using around half its depreciation funding to cover operating deficits
- identified costs for emerging issues that the Trust considers need to be addressed, including the future management of the Plimmer's Ark timbers; the need to move to a new and bigger collection store, and the increased operating costs associated with the redeveloped City Gallery, due to reopen in late September 2009.

The Trust's financial position means that it is unable to operate independently, having to make requests to Council for 'business as usual' proposals (e.g. the preservation and management of the Plimmer's Ark timbers, increased rent for the collection store, the replacement of long term exhibitions and the development of organisational capability).

If Council funding for the Trust remains at 2008/09 levels, the Trust considers that it will not be able to maintain its current service levels. This could result in the Trust's inability to successfully operate the extended City Gallery; continue to preserve the City's collections, having to consider mothballing or disposal options; fund new projects and refreshment programmes, including the Museum of Wellington; maintain visitor numbers, visitor satisfaction and revenue levels; and maintain current programming at all sites.

In response to these issues, the Trust proposes a funding boost of \$1.1m plus annual inflation adjustments, and a one-off contribution of \$283,000 towards the estimated costs of relocating to a new collection store and relocating the Plimmer's Ark timbers, with the remaining costs of relocation to be met from external funding. The Trust considers that this will enable it to initiate its strategy, maintain expected service levels, improve the Trust's ability to generate non-Council revenue, and in the medium to long-term to restore its ability to operate more independently.

Affordability is clearly a restraint on the Council's ability to fund the Trust's proposal. Following discussion with officers the Trust has submitted a revised proposal to stage the implementation of the strategy over 3 years: \$635,000 in 09/10, a further \$520,000 in 2010/11 and \$305,000 in 2011/12 (all figures include funding for inflation), and one-off funding of \$283,000 for the relocation of the collection store and Plimmer's Ark timbers during 2010/11.

Under this staged approach, the Trust considers it will be able to operate the extended City Gallery, move its collections to a new store and build curatorial and revenue capacity but over a longer period of time and carrying lower cash reserves.

Officers have considered options ranging from declining the bid outright and accepting (in some cases significantly) reduced service levels and a declining financial situation at the Trust, through to funding the proposal in its entirety. We consider that the impact of not providing any funding would be to undermine the assets and investments in the City's cultural institutions that have been developed over time and that, on balance, a staged implementation of the Trust's funding strategy is the best approach.

With affordability a strong driver for the draft 2009/19 LTCCP, officers recommend a lower level of investment in total, and for 2009/10 in particular, and a slower implementation period than that requested by the Trust. Deferring non-critical items and some potentially strategic investments represents the best balance between the call on additional rates and the need to retain services and capability in the Trust while setting a platform for the future. The difference between officer recommendations and the Trust's staged proposal are outlined below:

Proposal	09/10	10/11	11/12	Additional funding over baseline at yr 3	Cumulative extra total by year 3
	\$000s	\$000s	\$000s	\$000s	\$000s
WMT	635	520	305	1,460	3,250
Officer	350	400	450	1,200	2,300
Difference	(285)	(120)	145	(260)	(950)
<i>Agreed</i>		283*			

*one-off contribution to collection store and Plimmer's Ark relocation

There remain risks to Council, even should it endorse officers' recommendations. Firstly, if the external funding sought by the Trust for the collection store and Plimmer's ark relocations is not obtained, it is very likely that the Trust would request this funding from the Council. The Council would need to re-evaluate its options at that point.

Secondly, the Trust may request further funding from the Council for its operations or other one-off initiatives. If officers' recommendations for funding the Trust over 3 years is endorsed through the LTCCP process, the Council will need to be clear that the funding represents the total amount that Council is able to commit to the Trust for the next three financial years.

Officers also propose that the Council Controlled Organisations Performance Subcommittee agree key performance indicators and current baselines with the Trust so that the benefit of the increase in funding can be measured and reported.

3. Recommendations

Officers recommend that the Committee:

1. *Receive the information*
2. *Note that the Wellington Museums Trust has submitted a funding proposal for an additional \$1.1 million in 2009/10, plus one-off funding of \$283,000, and an ongoing annual inflation adjustment estimated at approximately \$120,00 per annum from 2009/10*
3. *Note that following discussion with officers, the Trust has submitted a revised proposal for additional funding to be staged over 3 years (and including inflation adjustments) being \$635,000 in 2009/10, \$520,000 in 10/11 and \$305,000 in 2011/12, and one-off funding of \$283,000 in 2010/11 for Plimmer's Ark and the collection store relocations*
4. *Note that in 2006 the Council approved an additional \$100,000 per annum for the increased operational costs of the redeveloped City Gallery, which is budgeted from 08/09 when the Gallery was originally due to be re-opened. The Wellington Museums Trust has, in its revised proposal, included this funding in its forecasts from 2009/10*
5. *Agree to accept the advice of the Museums Trust in respect of its recommendations for the future management of the Plimmer's Ark timbers, as the entity charged with managing Wellington's heritage collection*
6. *Agree to include the following in the upcoming draft 2009/19 LTCCP deliberations:*
 - a. *An annual increase in the operating grant for the Wellington Museums Trust to stage the implementation of its strategy over three years, as outlined in the table below:*

<i>Additional base line funding</i>				
Project	Operating expenses \$000			Additional funding by 11/12 \$000s
	09/10	10/11	11/12	
	\$000s	\$000s	\$000s	\$000s
C102 – Wellington Museums Trust operating grant	350	400	450	1,200

- b. *One-off funding of \$283,000 (Opex) for the costs of the move and fit-out of a heritage collection store during 2010/11 and the relocation of the Plimmers Ark timbers, subject to all remaining costs being met from other sources as proposed by the Trust. If the external funding obtained is insufficient to meet costs, or an alternative proposal (e.g. purchase of a facility) to a new lease is proposed following investigations, the Council will reconsider its options.*
- c. *Note that, as part of the pre-engagement process ahead of the draft 2009/10 LTCCP, the public is being asked to consider the option of charging out-of-town visitors for access to the Wellington Museums Trust's facilities, and that feedback from the public will be reported to the Committee during the draft LTCCP deliberations in March 2009*
- d. *Request that officers explore options to fund the recommended increase from 2010/11 (other than from general rates), and report back to the Strategy and Policy Committee in October 2009*
- e. *Request that the Council Controlled Organisations Performance Subcommittee set key performance indicators and agree current baselines so that the benefit of the increase in funding can be measured and reported.*

4. Background

The Wellington Museums Trust is a Council Controlled Organisation that was established in 1995. Over time it has added new attractions to its stable of facilities, and is now responsible for the operations of the City Gallery, the Museum of Wellington City and Sea, the Cable Car Museum, Capital E, Colonial Cottage and the Cricket Museum (via a management contract). It may also become responsible for Carter Observatory in the future. Currently the Trust receives \$4.63 million annually (excluding a rental grant, which is paid back to Council) from Wellington City Council.

The Museums Trust attractions form an important component of the elements that have made Wellington the Cultural Capital of New Zealand. The Trust's institutions attract over 600,000 visitors each year, with the majority of visitors coming from outside of Wellington.

Recently, the Trust introduced a new vision statement: *New Ways Of Seeing Arts, Culture, Heritage & Wellington* to guide its development and to signal its intention to continue to develop core visitor attractions; ensuring that through thought provoking, entertaining and memorable exhibitions, events and public programmes, Trust institutions exemplify Wellington's status as New Zealand's cultural capital. The Trust has signalled that it considers its current funding model to be unsustainable, and has submitted a proposal to Council for additional baseline funding over 2009/10 to 2011/12 of \$1.46 million.

5. Issues

There are a number of interrelated factors that have led to the Trust's significant funding request. The fundamental issue is insufficient funding to enable the Trust to operate independently and carry out its intended functions without ongoing requests to Council for additional funding for what are often day to day operational requirements.

The Trust is using its depreciation to fund an operating deficit that currently sits at around \$240,000 per annum (or half its total depreciation funding), which is unsustainable in the longer term.

5.1 Declining external revenue

Over the past five years the Trust has become increasingly reliant on Wellington City Council funding as a proportion of its total funding. External income has dropped from 35% of total income (exclusive of the occupancy grant) to an estimated 30% in the current financial year. Over the same period, key fixed overhead expenses have increased by 23%. However, the Trust's operating grant over this period has increased by 13% from \$3.99m to \$4.5m, out of total income of \$6.9m.¹

The Trust has found it increasingly difficult to generate non Council revenue. With the exception of the City Gallery Wellington Foundation, corporate sponsorship opportunities are limited and funding through gaming and charitable trusts has also become difficult with demands increasing and less funding to distribute. Overall sponsorship revenue has also declined. The Trust currently does not have the staff to develop and implement strategies to lift its revenue generating performance, unlike several other CCOs.

5.2 Inflationary pressures

The Trust indicates that the catch-up grant received from Council in 2007/08, whilst very welcome, only enabled the Trust to reinstate infrastructure that had been lost due to a lack of funding. It has not enabled the Trust to position itself for the future or keep pace with subsequent inflationary pressures.

Over the past five years the Trust has offset the effects of inflation through:

¹ Over the five years to 2007/08, the Trust's core operating grant from the Council has increased 13% (excluding the compensation for the removal of admission charges at the Museums of City and Sea in 2003/04), while rates and levies funding for the Council have risen 29%.

- overhead savings e.g. delaying major repairs and maintenance
- not replacing or delaying the replacement of staff
- use of depreciation to fund operating deficits
- reducing exhibition development including the temporary programme, deferring refreshment of the permanent visitor experience (e.g. the Museum of Wellington City and Sea permanent experience is now more than 10 years old) and staging fewer events and public programmes
- deferred replacement of assets.

5.3 Emerging pressures in the future

As well as declining external revenue and inflationary pressures, there are a number of emerging issues that the Trust needs to address, including operating an expanded City Gallery, moving and preserving the Plimmer's Ark timbers, and relocating its collections to a new collection store. The Trust's proposal (**see Appendix 1**) outlines these new pressures in more detail. Combined, the Trust is seeking some \$560,000 in additional funding to address these issues.

Redeveloped City Gallery operating costs

In 2006 the Council approved an additional \$100,000 per annum for the increased costs of operating the redeveloped City Gallery. However because approval for the redevelopment occurred in three stages (stage 1 - a new Hancock Gallery and a new Auditorium; stage 2 - new Deane and Hirschfeld Galleries; stage 3 - earthquake strengthening), this funding related only to the first stage of the redevelopment – the new Hancock Gallery and Auditorium. The papers presented to the Council seeking approval for the Deane and Hirschfeld galleries noted that Council would consider additional operating funding for the Trust when it had been able to identify the additional costs of the extended facility.

The additional \$100,000 is budgeted for in 2008/09 (i.e. the current financial year) onwards, when the Gallery was due to re-open before the earthquake strengthening issue deferred the project's completion. The Museums Trust's staged proposal includes this funding in its forecasts from 2009/10.

Collection Store

The Museum of Wellington City and Sea collection, held on behalf of the City, has approximately 69,000 items, which are either on display at the Museum or in its collection store at Tyers Road, Ngauranga Gorge.

The Tyers Road store has reached capacity with no room for expansion, development or evaluation of the collection. The Trust has carried out a number of independent reviews and internal reviews including New Zealand Auditor General's report, The Klein report and Occupational Health and Safety (OSH) report, that have highlighted the less than optimum conditions of the present store and the need to move. A search for suitable alternative accommodation was started in March 2008 and the Trust's focus has been to lease rather than to purchase a building. The Trust will incur additional operating costs for three reasons:

- The collection requires a larger storage space (currently 840 m² and needs 1240 m² approximately);
- The cost of rent for storage within 20 kilometres of Wellington is between \$130 per m² and \$160 per m², which represents an increase on the rent the Trust currently pays; and
- A larger space will cost more to operate (electricity and other outgoings).

Plimmer's Ark Timbers

The Council owns the timbers in Plimmer's Ark Gallery and the display in the Old Bank Arcade and is the owner of the Plimmer's Ark timbers. All costs associated with the project, including ongoing conservation costs and the maintenance of the exhibitions, are met by the Council through its grant to the Trust.

The project was begun without comprehensive testing of all the timbers and has taken considerably longer than initially estimated. To date cumulative costs are just over \$1.5 million (inclusive of initial set-up of the exhibitions) and the estimated time for completing the current treatment is at least another ten years.

The Plimmer's Ark Gallery is currently closed to the public as the safety of visitors cannot be guaranteed. The problems include deterioration of the steel work in the tank, fractured glass panels of two tanks and ongoing leakage from tanks, all of which must be remedied if the project continues. The Plimmer's Ark Gallery needs to be vacated by June 2010.

The Museums Trust 2008 report examines three possible options for the future of the Plimmer's Ark project. Each of the three options recommends keeping the Old Bank Arcade display. In respect to the Plimmer's Ark Gallery, the three options are:

Option A - retain all of the Plimmer's Ark gallery timbers

Option B - dispose of all of the Plimmer's Ark gallery timbers

Option C - retain part of the Plimmer's Ark gallery timbers.

The Trust recommends option C, as this is an achievable outcome and a moderately costed option that continues to conserve the most recognisable recovered timbers and a completion of a significant part of the project as originally conceived. Officers support the Trust's recommendation, as the Trust is the entity charged with making curatorial judgements on the merits of collection items on behalf of the City.

Once the timbers are transferred to a new location the operating costs are likely to be similar to the current level of expenditure (subject to CPI adjustments). This option will require additional operational funding of \$15,000 a year after the recovered timbers are relocated, at an approximate cost of \$250,000. These costs do not include the cost of displaying the timbers at a future date, but the Trust will need to prioritise funding of the display of timbers from within its resources for permanent displays.

5.4 Impact of cost pressures

Under current funding levels, and without intervention, the Trust will either operate a deficit of up to \$450,000 a year to be fully funded by depreciation, and/or significantly reduce service levels. Specifically the Trust considers it will be unable to successfully operate the extended City Gallery; continue to preserve city's collections and will have to consider disposal options; fund new business as usual projects and refreshment programmes including the Museum of Wellington; maintain visitor numbers, visitor satisfaction and revenue levels; or maintain the current exhibition programming at all sites.

A reduction in service levels will over time affect the city's standing as cultural capital, and the city's reputation of supporting arts and culture would be significantly impacted.

6. The Trust's Proposal

The Trust requests an increase in funding to enable it to immediately deliver a range of projects and, in the medium to long-term, to restore its ability to operate more independently and with less reliance on additional Council funding. The key elements of the proposal (**see Appendix 1** for more detail) are:

- \$560,000² for the redeveloped City Gallery spaces; funding for increased costs of maintaining and storing the Museum's collection, and preservation of around half of the Plimmers Ark timbers
- \$540,000 to enable the Trust to develop capability in revenue generation, curatorial capacity and Trust Education
- One-off funding of \$283,000 to assist with the costs of relocating to a new heritage collection store and relocating the Plimmers Ark timbers, with the remainder of costs (\$570,000) to be raised from external sources such as Lottery funding
- An annual inflation adjustment to the core operating grant, suggested as 80% of the predicted inflation rate for the year concerned. This adds approximately \$120,000 per annum to the \$1.1m baseline increase sought, and brings the proposed increase in baseline funding to \$1.46m by 2011/12 (excluding the one-off \$283,000).

The Trust's proposal is summarised in the table below. All costs are Opex:

² The Trust's initial proposal seeks \$660,000 for these items, a figure subsequently reduced to \$560,000 to take into account the \$100,000 already budgeted for additional City Gallery expenses from 2008/09. This also reduces the amount sought for the City Gallery from \$450,000 p.a. to \$350,000 p.a.

Item		Cost (\$000's)
Unfunded Costs	City Gallery increased operating costs	350
	Collection Store relocation (increased rent and operating costs)	195
	Plimmer's Ark - (increased rent and operating costs)	15
Sub-total – unfunded costs		560
Building capability	Revenue generation	240
	Curatorial (Museum)	150
	Trust Education	150
Sub-total – building capability		540
Annual inflation adjustment (estimate)		120
Total		1,220
One-off funding for relocation of collection store and Plimmer's Ark timbers		283

In response to officers' concerns about affordability issues in the current environment, the Trust has provided the Council with a revised, staged implementation of its request (**see Appendix 2**). A summary of the Trust's revised request is as follows:

Wellington Museums Trust's revised proposal:

Item	09/10	10/11	11/12
	\$000s	\$000s	\$000s
City Gallery – increased operational costs due to redevelopment	300	400	450
Collection Store increased operating costs	100	195 ¹	195 ¹
Plimmer's Ark - increased operating costs	-	15 ²	15 ²
Revenue Generation – building capability	140	180	240
Museum – building capacity	75	150	150
Trust Education - developing and marketing education product	-	75	150
Sub Total	615	1,015	1,200
Inflation adjustment as at 30 June 2009	120	120 +80% of 31/12/09 inflation rate	120 +80% of 31/12/09 inflation rate
Sub Total	735	1,135	1,320
Less funding increase already allocated for City Gallery	-100	-100	-100
Sub Total	635	1,035³	1,220³
Add estimate for cumulative inflation	Incl.	120	240
Total Baseline Increase	635	1,155	1,460
Additional baseline increase per year	635	520	305

¹ Will also require one-off funding of \$200,000.

² Will also require one-off funding of \$83,000.

³ Excludes inflation adjustment at 80% of CPI as at 30 December 2009 and 2010 respectively

The Trust considers that this funding would address the issues identified in Section 5 of this report, but over a longer time frame than originally proposed. By 2011/12, the Trust would be funded as per its original proposal (\$1.22m), plus an additional \$240,000 for inflationary costs during 2009/10 and 10/11, bringing the total by 2011/12 to \$1.46m.

It is important to note that the Trust needs to secure significant funding from external sources to fund the collection store and Plimmer's Ark relocations and that the funding for capital projects such as the proposed Capital E redevelopment is not included in the Trust's proposal. The Trust has proposed a working party be established to investigate options for the redevelopment of Capital E. Due to the Trust's current difficulties in providing business as usual services, and the priority placed on those issues, we consider that any redevelopment of Capital E will need to be deferred for some time.

7. Options

Officers consider the Trust's funding and organisational strategy to be fundamentally sound and forward-looking, and agree that the current practice of funding operating deficits and day to day maintenance from its depreciation is unsustainable in the longer term without cuts to service levels.

The Trust's previous funding proposals have highlighted significant differences in the funding available to other metropolitan museums and art galleries compared to the Trust's institutions. A comparison of subsidy per visit shows that for the Wellington Museum Trust institutions the subsidy is an average of \$9.60 per visit compared to the national average of \$19.98 per visit: Wellington receives relatively good value for money with its investment, a situation assisted considerably by the presence of Te Papa.

Officers considered the Trust's proposal in the context of the current economic climate and Council's effort to keep rate rises to a minimum, and have attempted to balance this against consideration of the City's need to protect its cultural and economic assets. While the Trust's proposal is presented as a series of requests for different initiatives, officers have treated the proposal as a whole rather than "cherry picking" initiatives. The approach taken has been to decide whether there is a critical funding need, what the size of that need is, and then allow the Trust to utilise the funding according to its priorities.

While officers consider there to be financial issues that need to be addressed, and that some investment is required to protect the City's cultural assets, not all of the Trust's needs are considered by officers to be critical or immediate. Some elements of the Trust's proposal are either more strategic or are considered to be more discretionary, although worthwhile proposals in themselves. Three funding options were considered:

7.1 Option One: Approve the Trust's revised proposal

The Trust has acknowledged the financial context for the Council in its revised proposal, which seeks to spread the cost of implementation over 3 years and involves allocating an additional \$0.635m in 09/10, \$0.520m in 2010/11 and \$0.305m in 2011/12, and inflation adjusting the core grant annually thereafter.

The Trust considers that its revised proposal would enable it to implement its strategy over 3 years, so that by 2011/12 the Trust is in a position to meet its responsibilities, fund its operations and depreciation requirements, and develop the capability to generate increased external revenue.

The reduced funding in 2009/10 and 10/11 will allow the Trust to successfully operate the redeveloped City Gallery (partly because it will not operate for the first 3 months of 2009/10), operate at break-even (i.e. not rely on depreciation funding to cover operating deficits), and put in the ground work necessary to build its capability over time. It would defer the relocation of the collection store and the Plimmer's Ark timbers until 10/11, the development of the Trust Education initiative until 2011, and the full development of its revenue generation strategy to 2011/12. It would also push back planned major renewals of the Museums of Wellington City and Sea.

7.2 Option Two: Officers' proposal

Officers have considered the staged proposal put forward by the Trust and consider that the Trust's offer to reduce the funding requirement in 09/10 to a minimum that still allows services to be retained, and more evenly spreading the increase over three years, is appropriate in light of funding constraints.

However officers consider that the funding requirement in 09/10, and the overall request, need to be further reduced in the light of competing priorities and the forecast rates demand. Officers also propose a staged funding strategy, but with a lower level in 09/10, and at a lower overall level, than the Trust's request. The Trust's revised staged proposal is compared with officers' proposal in the table below:

Recommendation	09/10	10/11	11/12	Total increase by year 3	Cumulative extra funding by 11/12
	\$000s	\$000s	\$000s	\$000s	\$000s
WMT	635	520	305	1,460	3,250
Officer	350	400	450	1,200	2,300
Difference	(285)	(120)	145	(260)	(950)
<i>Agreed</i>		283*			

*one-off contribution to collection store and Plimmer's Ark relocation

Funding of \$350,000 in 2009/10, together with the additional \$100,000 for the City Gallery that is already budgeted for in 08/09 by the Council but not included in the Trust's financials for 2008/09, should allow the Trust to operate the extension of the City Gallery upon its reopening in October 2009, however other initiatives will have to be implemented later than the Trust would ideally prefer.

Funding allocated over the following two financial years should also allow the Trust to utilise its depreciation funding for renewals, rather than to cover operating deficits as it has been required to do recently, in lieu of significant service reductions. The Trust should also be in position to operate high quality services and facilities by the time the 2011 Rugby World Cup arrives.

Officers have not explicitly addressed the CPI funding request – inflationary pressures will need to be funded from within the 3 year allocation proposed. In the longer term, the Council will need to adopt a more consistent and conscious approach to the funding or non-funding of inflationary pressures for grant-funded CCOs. This issue also applies to the Zoo Trust (although the recent significant capital injection and good quality governance and management should enable the Zoo to operate without additional operating funding for the foreseeable future), PWT, and potentially the Basin Reserve Trust, which has not received increased funding (other than for one-off items) for some time.

Should Council approve the funding increase when it adopts the LTCCP in June 2009, officers would not recommend another increase for the Museums Trust for the following three years in the normal course of events.

The Museums Trust has advised that the level of funding proposed by officers would still leave the Trust significantly restrained in 2009/10 and 2010/11, because although by 2011/12 the Trust's baseline increase will be only \$260,000 per annum less than requested, cumulatively the Trust will have received some \$950,000 less than it has sought in its revised bid over the next 3 years.

While this may not be optimal for the Trust, all Council services and activities are having to prioritise expenditure. Officers consider that the Trust can still meet its responsibilities within the officers' recommended funding levels, and the Trust will need to determine its priorities within the additional funding provided by the Council. The Trust has options in terms of the speed at which it implements its strategy, the timing of its renewals and upgrades, and in the costs and consequently the quality of the services it provides.

7.3 Decline the Trust's proposal

This option involves declining the Trust's funding proposal and accepting (in some cases significantly) reduced service levels, and the continued constraints on the Trust generating revenue, building organisational capability, and renewing its assets. If the Council accepts the likely consequences of the reduced level of services, a longer-term solution to desired service levels would need to be agreed with the Trust. Solutions may involve reassessing the range of institutions operated by the Trust and funded by the Council.

In the short term, the key risk is the ability to operate and leverage the capital investment in the expanded City Gallery, and the continued occupation of poor conditions at the Trust's collection store. In the longer term, the Trust's inability to renew its assets, develop its capability and generate external revenue would impact on the City's cultural reputation, including the potential impact on Wellington's tourism experience. Included in this is the desire to be ready for 2011 Rugby World Cup, where Wellington aims to showcase the City to a significant number of international visitors.

8. Risks to Council

The risks of not providing the additional baseline funding to the Trust are outlined throughout the paper. However risks remain even should Council endorse officers' recommended approach.

Firstly, if the external funding of \$570,000 sought by the Trust for the collection store and Plimmer's Ark relocations is not obtained, it is very likely that the Trust would request this additional funding from the Council. Combined with the proposed \$283,000 Council contribution, this would amount to additional "one-off" funding of \$853,000. The Council would need to re-evaluate its options at that point. The Trust has also alluded to the possibility of a collection store being a regional facility, and officers agree that such an idea should be further investigated if possible.

The second key risk is that the Trust may request further funding from the Council in the short to medium term for its operations or other one-off initiatives – for example if the projected external revenue were not to eventuate, or costs rise above projections. The Trust has had its revenue projections reviewed externally by KPMG, and subsequently reduced them from initial estimates. Officers are relatively comfortable that the estimates are achievable. In its proposal, the Trust has also signalled a desire to investigate the redevelopment of Capital E. If officers' recommendations for funding the Trust over three years is endorsed through the LTCCP process, the Council will need to be clear that the funding represents the total amount that Council is able to commit to the Trust for the next three years.

Officers also propose that the Council Controlled Organisations Performance Subcommittee agrees key performance indicators and current baselines with the Trust so that the benefit of the increase in funding can be measured and monitored. This would be implemented through the Trust's 2009/10 Statement of Intent.

9. LTCCP Implications

This paper recommends that the following funding is included in the draft 2009/19 LTCCP deliberations in March 2009:

<i>Additional base line funding</i>				
Project/Component	Operating expenses			
	\$000			
	09/10	10/11	11/12	
	\$000s	\$000s	\$000s	\$000s
<i>C102 – Wellington Museums Trust Grant</i>	350	400	450	1,200
<i>C102 (Plimmers Ark and Collection Store relocation cost contribution)</i>		283		

10. Conclusion

A decision is required on how to respond to the financial issues raised by the Wellington Museums Trust. The impacts of not providing any additional funding are significant for the City's cultural standing and the returns we expect from our cultural assets.

The Trust proposes a funding boost to initiate its organisational strategy and in the medium to long-term to restore its ability to operate more independently and with less reliance on Council funding. The Trust will also be able to build its professional capacity at a strategic level and the investment would enable the Trust to improve revenue generation, principally through commercial activities such as venue hire and retail, but also through value-added visitor experience products, admissions and fundraising. The current practice of using its depreciation funding to cover operating expenses and deficits would cease.

Officers consider the Trust's overall strategy to be balanced, future-focussed and fundamentally sound. However, in the current financial and economic environment, the Council cannot afford to implement the full strategy with immediate effect. The Trust has recognised this and submitted a revised proposal that stages implementation over 3 years, and reduces the 2009/10 funding requirements.

Officers consider that the revised proposal is still too high given the rates target the Council is aiming for, and suggest a lower level of funding both in 2009/10 and overall across 2009/10 to 2011/12. Officers acknowledge that the Trust considers that this will still cause operating pressures and possible service reductions or trade-offs in the next two years, but consider that the Trust will need to find a way to make the additional funding proposed work.

As part of the pre-engagement process ahead of the draft 2009/10 LTCCP, the public is being asked to consider the option of charging out-of-town visitors for access to the Wellington Museums Trust's facilities, as a means of generating additional revenue for the Trust. Feedback from the public will be reported to the Committee during the draft LTCCP deliberations in March 2009, however the initial feedback suggests resistance to the idea. It may be more sensible to allow the Trust to charge admissions on a more strategic basis.

While there may be other ways of funding an increase than rates-funding, these need to be carefully researched and may take some time to implement (such as a Regional Amenities Act; a bed or Airport tax; increased or new admission charges). Officers consider that these options are worth exploring, and recommend that work is undertaken on the feasibility of these alternative funding options, and reported back to the Committee by October 2009. That would enable the Council to consider alternative, non-rates funding options for funding the Trust as part of the 2010/11 Annual Plan process.

Contact Officers: *Allan Prangnell – Manager, CCOs*
Natasha Petkovic-Jeremic - Portfolio Manager, CCOs

Supporting Information

1) Strategic Fit / Strategic Outcome

The Wellington Museums Trust manages five of the City Council's cultural institutions that make a significant and growing contribution to Wellington's standing as the cultural capital of New Zealand and welcome over 600,000 visitors each year. It also contributes significantly to the city's economic vitality and tourism offerings in the city.

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

The project is contained in the Council Plan C102. The recommended option will lead to an increase in operating expenditure of \$350,000 in 2009/10, an further increases of \$400,000 in 2010/11 and \$450,000 in 2011/12.

One-off funding of \$283,000 (Opex) is also recommended in 2010/11, to facilitate the relocation of the Trust's collection and the Plimmer's Ark timber from its current waterfront location.

3) Treaty of Waitangi considerations

N/A

4) Decision-Making

This is not a significant decision. The report sets out a number of options and reflects the views and preferences of those with an interest in this matter who has been consulted with.

5) Consultation

a) General Consultation

Consultation has taken place with the Chief Executive and chair of the Wellington Museums Trust. Public consultation on the proposal would occur during the statutory consultation period on the draft 2009/19 LTCCP.

b) Consultation with Maori

N/A

6) Legal Implications

N/A

7) Consistency with existing policy

The recommendations in this paper are consistent with existing policy.

Appendix 1: Wellington Museums Trust Full Proposal