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**Creative Capital Trust – funding request**

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**The Proposal**

The Cuba Street Carnival Collective Trust and the Fringe Arts Trust are proposing to create a new parent trust - the Creative Capital Trust - to deliver the Cuba Street Carnival and the Fringe Festival, and advance Wellington's reputation as the creative capital of New Zealand. The Trust originally requested \$675,000 per year but have since revised their proposal and are now asking for funding of \$296,889 for the 2009/10 year with a more detailed request for ongoing funding for 2010/11 and beyond, to be submitted in December 2009.

The Trusts note that while both events are successful artistically, they are marginal financially. With further pressure emerging as a consequence of the current economic climate – a drop off in funding support from key funding streams, including business sponsorship, gaming trusts and community trusts – they believe the establishment of this umbrella organisation would be the best way to deliver these festivals as well as provide leadership and a professional arts management role for artistic, cultural and creative events in Wellington.

The trusts note that the proposal is in its early stages. The \$296,889 requested this financial year is for the establishment of the Trust, a feasibility and scoping study for the two events (Cuba Carnival and Fringe), planning for the 2010 Fringe Festival and 2011 Cuba Carnival, and repayment of debt from a prior Cuba Carnival deficit.

For the 2009 Carnival, the Cuba Street Carnival Collective Trust received \$140,000 from the Council. In addition, Council took responsibility for meeting a range of logistical costs to ensure the safe and effective running of the Carnival. These costs included traffic management and road closures, security, site cleaning, first aid and fencing, wages, advertising and communication. The cost of this logistical support was in the vicinity of \$130,000 making a total level of support of around \$270,000.

The Cuba Street Carnival is delivered every second year (off year to International Festival of the Arts).

The Fringe Festival Trust receives \$85,000 per year from the Council to deliver the annual Fringe Festival.

**Proposal Costs**

Project Component	Operating expenses \$000									
	09/10	10/11	11/12	12/13	13/14	14/15	15/16	16/17	17/18	18/19
<i>Proposed additional grant</i>	297	0	0	0	0	0	0	0	0	0
<i>Total</i>	297	0	0	0	0	0	0	0	0	0

This proposal would be funded by an increase in the general rate. The Revenue and Financing Policy for Activity 4.3.1 Arts and Cultural Festivals has current funding policy targets of 80% general rate and 20% other income. At this level of additional cost, the activity would be non-compliant by approximately 3%. If the additional cost increase is per the officer recommendation of \$75,000, noncompliance will be less than one percent.

## **Discussion**

The proposed merging of the Cuba Street Carnival and the Fringe Festival into the Creative Capital Trust will allow for opportunities for both events. Developing economies of scale through the shared use of staff, office accommodation and systems and marketing channels as well as creating a greater focus on developing sponsorship and external funding will produce benefits to both events.

The creation of a strong parent Trust will provide both events with a more secure base for long term development.

Council's current support for the Cuba Carnival is provided through the Community Events Project C130E. An estimated 150,000 people attend the Carnival and the total level of support provided by Council is around \$270,000 per Carnival. This is by far the largest single amount of support given through the Community Events project to any single event. Support at this level creates significant stresses on the C130E budget. In the "off year" to the Carnival, Council provided funding support of \$50,000 to be used towards staff costs to keep the Carnival functioning and allow planning to proceed.

The initial request from the Creative Capital Trust seeks a nearly 600% increase in "off year" funding.

Discussions have been held between Council officers and proposed Trustees of the new parent Trust prior to the submission of the revised funding request. The trustees acknowledge more work needs to be done to establish the Trust and develop a more coherent plan for the Carnival and the Fringe. The revised funding request represents Trustees view of the funding needed to cover the costs involved in establishing the Trust, preparing a long term plan for the Fringe Festival and Cuba Carnival and securing a base staff that will allow for work on both events to proceed in the interim.

In its current form the plan to form a parent Trust is supported by Council officers but the request for funding at the level requested (\$296,889) is not supported. Funding support at the level of \$75,000 is supported.

The Carnival has significant potential but has yet to demonstrate how this potential can be realised at a level that would justify a significant increase in the level of support provided by Council.

Similarly, the opportunity cost of supporting the Carnival needs to be considered along with the competing costs and benefits of other events.

The Fringe Festival would continue to be organised through the new parent Trust and would primarily benefit through shared staffing and administration, and shared marketing and sponsorship initiatives.

Currently there is insufficient evidence to suggest economic benefit to the city through these two events. Further it is not clear at this stage what additional benefits the city would receive from an increase in ongoing funding.

Following the development of a long term plan by December 2009, it is likely the Trust will be approaching Council regarding funding for the implementation of their funding plans.

## **Officer recommendation**

It is noted that officers are supportive of the general approach to create one entity to reduce overheads and drive efficiencies. It is recommended that the request for funding of \$296,889 in 2009/10 be declined, but that additional funding of \$75,000 be approved and used for feasibility work and the establishment of the parent trust, and is specifically not to be used to repay debt.

## Recommendation Costs

Project Component	Operating expenses \$000									
	09/10	10/11	11/12	12/13	13/14	14/15	15/16	16/17	17/18	18/19
<i>Recommended one off payment</i>	75	TBA	TBA	TBA	TBA	TBA	TBA	TBA	TBA	TBA
<i>Total</i>	75									

**Contact officer:**

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