
REPORT 8
(1215/52/IM)

KARORI SANCTUARY TRUST FUNDING REQUEST

1. Purpose of Report

The Karori Sanctuary Trust (“**KST**”) is the legal entity that operates the Karori sanctuary and visitor centre, which is known as Zealandia.

Council has received a request for funding by KST for \$950,000 per annum to fund the KST operations for the three years ended June 2013, 2014, and 2015. The total funding request is \$2.85 million.

This report presents a suggested way forward for Council to assess and respond to the funding request.

2. Executive Summary

The request for operational grant-funding from the Council comes at a time when Council and ratepayers have to deal with a range of economic challenges and a need to prioritise spending decisions. Council’s response will need to assess the full range of alternatives and how any funding requirements fit within the Council’s strategic priorities.

It is clear from the first 18 months of operations, that the visitor numbers upon which the business case for the investment was based are significantly higher than the actual visitor numbers going through KST. The shortfall is of such a magnitude to suggest that the current business model operated by KST is unsustainable without funding support and the Council’s loan is at risk as a consequence. The Trust has signalled they will face solvency issues as their cash reserves are run down to fund operating deficits. The cash reserves are forecast to be sufficient to fund the operations for the current year but will be depleted shortly thereafter.

Officers view is that the issues around the funding request from KST and the range of options to be considered are best developed within a Working Group comprising Councillors.

The Working Group will ensure that each of the options considered is assessed for its alignment with Council’s priorities and in particular how each option impacts on outcomes for conservation, bio-diversity, visitor attractions for the City and the impact on ratepayers.

3. Recommendations

Officers recommend that the Strategy and Policy Committee:

1. *Receive the information.*
2. *Agree to establish a Working Group to consider the funding request from Karori Sanctuary Trust, the issues around providing funding and the range of alternative options available.*
3. *Agree to the Terms of Reference for the Working Group as attached as Appendix 1.*
4. *Direct that the Working Group will report back to the Strategy and Policy Committee by 23 February 2012.*
5. *Appoint three Councillors to the Working Group.*
6. *Appoint one of the Councillors, appointed to the Working Group, as the Chair.*
7. *Agree to formally respond to Karori Sanctuary Trust to acknowledge receipt of their funding request and the process that the Council will follow to consider their request along with other options.*

4. Background

Council has received a request for funding by KST for \$950,000 per annum to fund the KST operations for the three years ended June 2013, 2014, and 2015. The total funding request is \$2.85 million.

The Trustees have indicated that without confirmed funding support the KST will fail the fundamental going concern tests. This is expected to be in the 2012/13 financial year when the Trust's cash reserves are projected to be exhausted.

The basic issue that the quantum of the funding request from KST raises is that, without funding support from the Council the operations of KST are unsustainable in the near term and there must be serious doubt over whether the aims of the visitor centre to enable KST to be financially self sufficient are at all possible. The need for funding support is due to the current business model not performing from a financial perspective and significantly below the expectations of the business case.

In responding to the issues associated with the Funding Request, Officers note that there are a wide range of options and alternatives that should be considered by Council. The options and alternatives are likely to have implications and consequences for other stakeholder groups or require their input. To assess the options efficiently and ensure that a good cross section of views are traversed,

Officers recommend that a Working Group comprising 3 Councillors be established with appropriate terms of reference. It is expected that the Working Group would report back to the Strategy and Policy Committee in February.

Council has provided significant funding to the Karori Sanctuary Trust over many years to support the conservation project and to develop the visitor centre. The operational grant funding totals \$7.6m and the loan funding totals \$10.36m. A detailed schedule of the funding and the timing of the funding provided to KST is attached as Appendix 2.

Contact Officers: *Danny McComb, Treasury and CCO Manager and Peter Garty, Chief Financial Officer.*

Supporting Information

1) Strategic Fit / Strategic Outcome

The activities of the Karori sanctuary make a positive contribution to the eco-city pillar of Wellington's Toward 2040 strategy.

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

Any request for funding will need to be addressed in the Long Term Plan.

3) Treaty of Waitangi considerations

This report raises no new treaty considerations.

4) Decision-Making

There are no decisions associated with this paper

5) Consultation

a) General Consultation

Officers have been provided relevant information by the Karori Sanctuary Trust.

b) Consultation with Maori

Mana Whenua have not been consulted over the content and recommendations of this report.

6) Legal Implications

Not applicable

7) Consistency with existing policy

This paper is consistent with existing policy.

Zealandia Funding Request – Working Group

1. Working Group – Membership

- 3 elected members.
- The Mayor is also an ex-officio member

2. Chair

- The chairperson shall be appointed by the Strategy and Policy Committee

3. Frequency of Meetings

- A schedule of meetings will be agreed by the Working Group with the chairperson having the discretion to call additional meetings as required.

4. Parent Committee

- The Working Group will report to the Strategy and Policy Committee.

5. Purpose of the Working Group

- To review the funding request from KST
- To develop a range of options for Council to consider
- To provide advice of implementation, timing, legal issues and key actions required

6. Terms of Reference

The Working Group has responsibilities to:

- To review the funding request from Karori Sanctuary Trust and any relevant information.
- To develop a set of criteria based on the Council's strategic priorities under which identified options and alternatives will be assessed, with particular attention given to the impacts on conservation, bio-diversity, visitor attractions and the cost to ratepayers.
- To identify the range of available options to respond to the issues.
- To assess the options against the criteria identified above.

APPENDIX 1

- To fully understand the financial implications of any of the options that meet the identified criteria
- To fully understand any implementation and associated legal issues associated with any of the options and make recommendations to address.
- To liaise with affected or interested stakeholders or other interest groups, as required, to assist with formulating options and understanding any impacts.
- The Chair of the Working Group will be responsible for managing the interface with KST during the process.
- To report back to SPC with the preferred range of options, a recommended option for consideration by Council and a recommendation of the preferred response to the KST funding request.

7. Delegation

- The Working Group has the authority to carry out its activities in line with its terms of reference

8. Duration/Sunset

- The Working Group will cease following the report back to SPC unless the duration is extended at that time.

APPENDIX 2

Year	Grant Funding	Loan Funding	Comment
Up to 1999	305,000		Feasibility studies, resource consents and management plans
99/00	160,000		Trust obtained loan from Wgtn Community Trust \$1.5m to build perimeter fence. Council grant funds repayments over 15 years
00/01	100,000		For WCT loan repayment
01/02	100,000		For WCT loan repayment
02/03	400,000		Sanctuary becomes 7 day per week operation and WCT loan repayment
03/04	574,000		
04/05	640,000		
05/06	963,000	8,000,000	Visitor Centre loan funding approved and transitional opex funding
06/07	800,000		
07/08	1,396,000		Additional transition funding
08/09	300,000	2,360,000	Addition loan \$1.90m (Nov 08) plus increase \$0.46m (Apr 09)
09/10	1,160,000		
10/11	700,000		
11/12	40,000		
Total	7,638,000	10,360,000	