
ECO-CITY RESULTS OF COMMUNITY FEEDBACK

1. Purpose of report

The purpose of this report is to:

1. Provide an analysis of feedback received on the proposal to establish an Eco-City Council Controlled Organisation to manage Zealandia, the Zoo, Otari-Wilton's Bush and the Botanic Garden.
2. Recommend a refreshed governance and business model for the Karori Sanctuary Trust as a stand alone entity (described as an enhanced partnership model).

2. Executive summary

The Karori Sanctuary Trust (the Trust) has requested ongoing funding from the Council, as part of the 2012-22 Long-Term Plan (LTP) process. Council has had concerns for some time about the sustainability of the business model for Zealandia. It established a working group to consider these requests in December 2011.

On 3 April 2012, Council received advice from the Working Group that no further funding should be provided to the Trust without the governance and business model of the Trust first being addressed. The Council agreed at that meeting to consult on four options for governance changes with the consultation to run concurrently with the consultation on the LTP.

Submissions on those four options are summarised in this report. Generally they did not support the options put out for consultation.

During the consultation process, officers have looked further at the issues facing the Trust and have confirmed that providing further funding without governance and business model changes should not be considered by Council. However, it is clear that without Council support Zealandia will not survive in the medium to long term.

Based on the analysis of submissions, and the further investigation of the issues faced by Zealandia, officers have concluded that, at this time, the Eco-City model presents more risks than benefits.

To position Zealandia well for the future, it is recommended that a refreshed governance and business model is established, through a strengthened partnership with the Trust, referred to as the 'partnership model'.

The partnership model would:

- Retain the Trust as a separate entity in its current status as a Council Organisation (CO).
- Ensure Council develops an active partnership with the Guardians of the Trust; underpinned by a Memorandum of Understanding. Along with other components, this will include:
 - the provision of 'back-office' services by the Council, which will reduce costs for Zealandia; and
 - parameters for the appointment and accountabilities of an interim Trust Board to undertake a governance and business model review (the review) between 1 July 2012 and 31 December 2012.
- Include funding from Council to Zealandia of \$350,000 for 2012/13; \$700,000 for 2013/14 and \$700,000 for 2014/15 in the final LTP. This funding is subject to a satisfactory review being completed.

Due to uncertainty around the longer term funding requirements of the Trust, it is considered premature to incorporate further funding in the LTP beyond 2014/15. Rather, it is proposed that any options for longer term funding be assessed as part of the next LTP process.

A separate funding agreement will be established between the Council and the Trust Board. This will record the terms and conditions upon which the Council provides any operational funding for Zealandia.

There is also evidence that a longer term strategy to establish a broader 'eco-city' approach would be supported. This approach would be based on and promote Wellington's leadership in the field of ecological restoration, urban ecology and tourism centred on facilities, including Zealandia. Through this, the links between all of the city's natural assets and attractions would be strengthened.

3. Recommendations

Officers recommend that the Strategy and Policy Committee:

1. *Receive the information.*
2. *Receive the submissions that were lodged as part of the special consultative procedure for the Eco-City proposal (previously distributed).*
3. *Note that officers have followed the special consultative procedure requirements set out under legislation (the Local Government Act 2002).*
4. *Recommend that the proposal for an enhanced partnership model is adopted.*
5. *Agree that if the partnership model is adopted, a paper is presented to the Council meeting of 28 June 2012 recommending the Wellington City Council representatives to the Interim Board of Zealandia.*

6. *Note that Zealandia makes a contribution to Council's Wellington Toward 2040: Smart Capital vision, in the following areas:*
 - *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, livable urban form*
 - *Adding to the city's green credentials*
 - *Creating a destination for international visitors*
7. *Recommend that total funding of \$350,000 for 2012/13, \$700,000 for 2013/14 and \$700,000 for 2014/15 (totalling \$1.75m) be included in the final 2012-22 Long-term Plan subject to Council and the Guardians agreeing a detailed Memorandum of Understanding, based on the partnership model, prior to 28 June 2012.*
8. *Recommend that \$1.75m of funding (as above) is granted subject to a satisfactory outcome of the review and delivery of the agreed objectives of the review.*
9. *That Council notes further funding past 2014/15 is dependent on the new model delivering on expectations and agreed objectives.*

4. Background

4.1 The Karori Sanctuary Trust

The Karori Sanctuary Trust (the Trust) is incorporated under the Charitable Trusts Act 1957. The Trust has seven trustees: four are appointed by the Guardians of the Sanctuary and three are appointed by Wellington City Council. The Guardians group is constituted under the trust deed for Zealandia.

4.2 Introduction

In October 2011 the Trust prepared a report to Council entitled *Towards Financial Sustainability*, which sought funding of \$3.9m from the Council over three years. It also indicated that funding support beyond these years would be required.

Subsequent to this request, a further three revised requests were received from the Trust Board, with a final request seeking funding from Council of \$700,000 per annum over the next three years. A summary of all funding requests received by Zealandia is provided in Appendix A.

As a result of the initial funding requests, the Council's CCO Performance Subcommittee (CCOPS) recommended that a letter of expectation from the Council to the Trust should be sent outlining strategies and actions to address any projected funding shortfalls; and carry out a review to identify the efficiency

opportunities from working closely with other visitor attractions (including Council's Parks & Gardens unit and CCOs) to address its deficiencies.

The Council did not proceed with the proposed letter of expectation. Instead it established a Working Group to consider how best to respond to the Trust's funding request and to identify a way forward that would ensure the long term sustainability of Zealandia.

4.2.1 The Working Group

The Working Group recognised that Zealandia was a valuable asset to the city, and an integral part of Wellington's broader eco-city story. However, it was decided that no funding support should be provided to Zealandia without a change in the governance structure. It was also acknowledged that changes to the governance structure alone would not necessarily result in any material improvement in the financial issues Zealandia faced.

As a result, the following assessment criteria were developed to assess proposed solutions:

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

Three options were developed by the Working Group (detailed within section 4.2.2) which sought to address the issues currently faced by Zealandia in two ways:

- Firstly, by reducing overheads through aligning the management of Zealandia with other entities, to provide a more efficient overhead structure.
- Secondly, by creating the opportunity for entities to work strategically together to generate and realise other benefits including, but not limited to, revenue opportunities.

4.2.2 Council decisions

At its meeting on 3 April 2012, Council accepted the advice of the Working Group and agreed that, to ensure Zealandia's success in the long term, the status-quo was not an option. It was also agreed that it was not appropriate to just provide additional, untagged grant funding, without governance changes. Issues with the status-quo, as identified by Council officers, are discussed in more detail in Appendix B.

After receiving the three options agreed by the Working Group, Council agreed that four Eco-City options be consulted on concurrently with the Long-term Plan using the special consultative procedure. The four options were:

- Option 1 - **Standalone CCO model** to establish Zealandia as a stand-alone CCO and provide an operational funding grant to Zealandia, sufficient to

- Option 2 - **Wellington Environmental Visitor Attractions model** to establish a common governance structure to create a strategic alliance between Zealandia and the Wellington Zoo Trust, and to provide operation funding.
- Option 3 - **Parks and Gardens model** to incorporate Zealandia within the Council, as part of the Council's Parks and Gardens business unit, and to provide operational funding.
- Option 4 - **Eco – City model** to establish common governance structure (a CCO) to create a strategic alliance between Zealandia, the Wellington Zoo Trust and the Council's Botanic Garden and Otari-Wilton's Bush, to make the Karori Sanctuary Trust a CCO, and to provide operational funding.

Option 4 was identified as the Council's preferred option as it met all three assessment criteria and established a strong strategic alignment across the range of environmental assets of Council. It enabled each entity to leverage off a stronger and better resourced management capability and takes advantage of the strong synergies created.

5. Eco-City consultation

5.1 *Summary of consultation and engagement process*

Following the Council decision to consult on the four Eco-City options, an engagement programme was developed and designed to meet the special consultative procedure requirements set out under legislation (the Local Government Act 2002), which are to effectively raise awareness of, and encourage feedback on, the Eco-City proposals.

In addition, an independent survey and focus group were carried out to gauge views of the 'general public', that is, those who did not have a vested interest in the proposal.

A staff consultation process was also conducted, independent of the public process. This was to ensure Council staff who were potentially impacted by the change proposal could have a say. Council staff were able to make submissions to Council's Human Resources team from 9 May until the 23 May.

A summary of the consultation process, and results, is included in Appendix C. The Colmar Brunton report on the survey can be found in Appendix E, and the Patillo Ltd. report on the focus group, in Appendix F.

5.2 *Summary of community feedback*

Throughout the consultation process, officers have considered the views presented in submissions and the views of key stakeholders, including the views of the Trust Board.

The views of the general public, that did not have a vested interest in the proposal, have also been actively sought through the independent survey and the focus group.

High level results from the consultation period show that:

- 65% of those that submitted on the proposal did not support any of the options. Of the options, Option 4 received most support at 17%
- 71% of those surveyed supported the Eco-City option
- A CCO structure might impact negatively on the existing volunteer, membership, sponsorship and donation funding base of Zealandia and the other attractions within the Eco-City model.
- Submitters largely supported the status quo where the entities would remain separate and under their current management arrangements
- The purpose and vision of the different attractions must be retained, particularly the retention of Zealandia as an independent charitable Trust.
- There is potential for a broader eco-city concept to succeed and add value to how Wellington is viewed nationally and internationally. This would involve the cross-promotion of not only the four entities identified, but also other natural attractions in the Wellington region

6. Discussion on Zealandia

Given the key problem facing Council has been the sustainability of Zealandia, officers focused further analysis on the Zealandia issues rather than on the other three attractions. Officers are of the view that Zealandia's issues need to be addressed most urgently. This can occur as an independent exercise while a longer term strategy, involving the other three attractions, and other natural attractions in the region, is developed to support a wider 'eco-city' approach.

6.1 Summary of issues facing Zealandia

During the consultation process, officers considered issues raised specifically around Zealandia. These were drawn from Council's ongoing dialogue with the Trust Board and the Guardians, the work of the Working Group, and the feedback on Zealandia received during the consultation period.

First and foremost, this process confirmed the value of Zealandia as a unique conservation area which strongly contributes to the Eco-City and People-Centred City pillars of the Council's *Wellington Toward 2040: Smart Capital* vision. Officers were able to identify a number of ways in which Zealandia contributes to this vision, and as such it is clearly a strategic asset for Wellington. These are outlined in Appendix G.

However, this work also identified a number of issues and risks in relation to Zealandia:

1. The current business model is not sustainable.
2. Zealandia has developed over time from primarily a community conservation initiative to a fully fledged business and education attraction, targeted at both locals and tourists. It is timely that a substantive review is undertaken of how to best deliver on these sometimes conflicting objectives.
3. It is timely to review and update the roles and responsibilities of the Guardians, the Trust Board and the members.
4. With the adoption of 2040, the Council's ongoing expectations of the Trust should be clarified.
5. Zealandia requires security of funding so that it can remain a viable enterprise and attract financial support from non-council sources.
6. Further due diligence is required to fully establish both the medium and long-term funding needs of a sustainable Zealandia business and operating model.
7. The uncertainty around visitor numbers significantly impacts on Zealandia's income projections.
8. It is necessary to find ways to improve the financial performance of Zealandia by increasing revenue and reducing costs.
9. The Trust Board does not have an identified asset replacement/depreciation funding strategy.
10. There is public dissatisfaction around the current visitor pricing model with Zealandia.
11. Zealandia requires enhanced and more formal agreements with stakeholders and other entities that will help deliver on its vision.

Additional details regarding these issues are included in Appendix B.

6.2 A future focussed model for Zealandia

The above assessment supports the Working Group's views in a number of ways. It is clear that the governance and business model arrangements do need to be reviewed. It also identifies that a multi-pronged approach is needed to address Zealandia's funding issues.

Consequently, the factors that need to be present in a model that will enable Zealandia to thrive are:

- Clear and appropriate governance arrangements
- A focussed business model and an appropriately resourced management team to deliver it
- Strong, accountable relationships with key funders
- A unique, compelling offering to the public and visitors
- A reinvigorated relationship with its passionate core supporters and the wider public

Once these factors are in place it will position the Trust to deliver the shared long term objectives of the key stakeholders (Guardians and Council) including ecological restoration and excellent education and research facilities through a well managed and financially sustainable business. Zealandia will be positioned to play a core role within a broader eco-city concept for Wellington.

6.3 An analysis of options considering these elements

Officers have assessed the four options included in the Eco-City proposal by considering these elements. Officers believe that neither options 1, 2 or 3 would adequately provide for these elements because:

- In establishing Zealandia as a stand-alone CCO, Option 1 allows for many of the governance and business model issues to be addressed. However, on their own these are unlikely to also create the financial model and strategic links that will make the model sustainable in the longer-term. It may also raise the volunteers and sponsorship concerns identified above.
- In addition to the issues outlined for Option 1, Option 2 would extend the entity focus to include Zealandia and the Zoo; but the future direction for Zealandia will also involve relationships with Otari-Wilton's Bush and with the Botanic Garden. Some submissions have identified that some stakeholders see the Zoo and Zealandia as having very different and potentially conflicting objectives.
- Option 3 would also result in the Council being responsible for all funding of Zealandia in the future, including addressing depreciation funding and loan repayment issues.

Officers believe that Option 4 provides the best opportunity, of the four consulted on, to enable Zealandia to achieve these elements. However, officers also recognise that some elements will not be able to be fully achieved through this option. For example, submitters insisted that they would not participate as passionately in volunteering efforts if option 4 was adopted.

Consequently, officers considered how the best elements of option 4 could be retained, while addressing the issues raised during the consultation process. The well-considered and detailed submission put forward by the Trust Board during the consultation process identified a number of solutions to the issues raised and subsequently became the basis for the work which has resulted in the proposed new 'partnership model'.

6.4 Partnership Model

Officers believe that a strengthened partnership model could deliver the elements identified above.

6.4.1 Key components of the Partnership Model proposal

This option proposes that:

1. The Karori Sanctuary Trust is retained as an independent charitable trust. The Council would continue to appoint three of the seven Trust Board members, and exercises, at least for the transition period, the right to appoint the Chair.
2. A governance review take place to position the Trust for the future. An Interim Karori Sanctuary Trust Board will be appointed by Council and the Guardians to oversee the review. This will operate from 1 July 2012 for a period of six months.
3. The Guardians and the Council (as the entities appointing the Trust Board) will sign a memorandum of understanding prior to 28 June 2012. This will agree the roles of the three parties, their shared objectives for Zealandia and give effect to the governance and management reviews. Upon a signed MOU being received Council will recommend funding of \$350,000 from 1 January 2013 and that provisional funding of \$700,000 per year be included in the LTP for 2013/14 and 2014/15.
4. At the same time, a comprehensive review of Zealandia's business model take place. The Interim Board, in conjunction with Council officers, will develop Terms of Reference for the review and appoint an appropriately experienced person(s), funded and sourced by the Council, to undertake the review of the business model. It will be inclusive of business and operational practices, external support and management structure.
5. Subject to a satisfactory outcome of the reviews and delivery of agreed objectives, Council will commit to funding Zealandia, as detailed above, until July 2015.
6. All parties will work together to re-establish Zealandia's profile as one of Wellington's key ecological treasures. This will include publically recognising the role and value of the voluntary efforts that have established and continue to sustain the social enterprise ethos of Zealandia.

6.4.2 Additional detail on the partnership model

Additional operational detail related to this model includes:

- As the terms of six out of the seven trustees are due for completion at the end of June 2012, it is timely to look at what skills and time availability would be necessary in the board during the transitional period. Considering this, it is proposed that:
 - The transitional Interim Board may be made up of a mixture of current and new board members appointed by the Council and Guardians.

- The non-retiring Guardian appointed Trust Board member will continue in his position.
- The Council will exercise its right to appoint the chair.

In addition to this, it is proposed that the Interim Board will:

- Immediately begin working with the Council to initiate a shared service model whereby corporate support functions will be provided by the Council.

These will include financial transactions, human resource services, IT support and asset management expertise. This arrangement will be formalised through a service level agreement.

- Review and prepare long-term asset management plans.
- Investigate options for working more closely with Council business units and CCOs, to create synergies and efficiencies between these organisations similar to those identified in the Eco-City Statement of Proposal.

Formalised agreements through a Memorandum of Understanding (MoU) will be established with each entity and underpinned by performance indicators. It is envisaged that this will include, but not be limited to, agreements with Positively Wellington Tourism; Council's Parks & Gardens business unit and the Wellington Zoo Trust.

- In addition to this, the Guardians and the Council will jointly adopt a set of performance measures for the Trust Board.
- Council's existing intervention levers include the funding deed, specific levels of funding and Trust Board appointments. Council officers believe that the new funding agreement, for the interim operating funding, should include a range of additional graduated intervention steps to come into effect should the Trust not be able to meet its performance targets.
- There will be regular reviews of the model to ensure the new model is operating successfully. The first review will occur in 2015, or at an earlier date if requested by either the Council or the Guardians. Ways in which the Council will assess whether the new model is operating successfully are also outlined in Appendix G.

The outline of an MOU between Council and the Guardians, and a proposed new Funding Agreement, are included in Appendix H.

7. Preferred Option

Officers consider that the partnership model could deliver many of the advantages expected of Eco-City, while minimising the risks associated with it, and therefore recommend it as the preferred option.

If Council agrees with the recommendations put forward for a partnership model, there will be no need for further public consultation. This model does not create a Council Controlled Organisation and much of the detail of the model, and supporting arguments, were developed using information received in submissions during the Eco-City consultation process.

If the Council decides to proceed with the original preference of Option 4 - the Eco-City model, further work will be required to operationalise the concept.

A comparative analysis of Eco-City and the partnership model is provided in Appendix I.

8. Funding Considerations

Should Council adopt the partnership model as proposed, and on the basis that Zealandia will have sufficient cash reserves to meet its net outgoings over the period of the Interim Board review, it is proposed that no funding is provided to the Trust for the period 1 July to 31 December 2012.

Following this, it is proposed that funding of \$350,000 is provided to the Trust for the balance of 2012/13 financial year. As a \$365,000 provision was incorporated in the draft LTP, this will have no additional rates impact.

It is further proposed that provisional funding of \$700,000 per year be included in the LTP for 2013/14 and 2014/15. In total the partnership model increases total funding over the three years to 2014/15 by \$412,000 to \$1.750 million.

This funding level is based on the most recent budget request submitted by the Trust Board. Officers note that risks remains around a number of the underlying assumptions that support this budget request (which could increase but is unlikely to decrease). For this reason, it may require reconsideration following the review and report back to Council and Guardians by the Interim Board.

Council operating funding for Zealandia under Partnership model										
	12/13	13/14	14/15	15/16	16/17	17/18	18/19	19/20	20/21	21/22
Funding to Zealandia	\$350k	\$700k	\$700k	-	-	-	-	-	-	-
Council funded interest	\$650k	\$650k	\$650	\$650k	\$650k	\$650k	\$650k	\$650k	\$650k	\$650k

It is noted that under the current operating model and based on the budgets provided by the Trust, Zealandia will continue to make significant annual cash operating losses despite the Council funding proposed under the partnership model. It is envisaged that this will be managed partly through the utilisation of cash reserves on hand at 30 June 2012. Addressing the balance of the funding gap will be a catalyst for substantive change in the existing management and operating models of Zealandia. This includes the provision of back office support by Council, which will form part of the undertakings of the Interim Board.

It is proposed that funding for 2015/16 to 2021/22 should not be included in the LTP on the basis that any ongoing funding commitment from Council will be dependent on the outcome of the review to be undertaken by the Interim Board.

It is proposed that decisions on longer term funding commitments will be assessed and decisions made as part of the next LTP process.

Should the Council choose to proceed with the Eco-City model officers consider that it would be financially prudent for a portion of Zealandia's depreciation expenses to be funded, with an appropriate funding provision included in the LTP.

9. Conclusion

Council has consulted on four options for altering the governance of the Karori Sanctuary Trust. Submissions on the four consultation options have been analysed, but generally they did not support the options put out for consultation. Through the consultation process, officers have looked further at the issues facing the Trust and have confirmed that providing further funding without governance and business model changes should not be considered by Council.

Based on the analysis of submissions and the further analysis of the issues, a new Partnership Model has been identified. Officers consider that the Partnership Model would deliver many of the benefits of the Eco-City model but would retain the separate identity of the Trust and would enable volunteer and community support to be maintained at current levels. In light of this it is considered that this new model should be adopted by Council, rather than any of the four options that went out for consultation.

The partnership model would:

- Retain the Trust as a separate entity in its current status as a Council Organisation (CO).
- Ensure Council develops an active partnership with the Guardians; underpinned by a Memorandum of Understanding. Along with other components, this will include:
 - the provision of 'back-office' services by the Council, which will reduce costs for Zealandia; and
 - parameters for the appointment and accountabilities of an interim Trust Board to undertake a governance and business model review between 1 July 2012 and 31 December 2012.
- Include funding from Council to Zealandia of \$350,000 for 2012/13; \$700,000 for 2013/14 and \$700,000 for 2014/15 in the final LTP. This is subject to a satisfactory review being completed.

In recommending this option, officers also consider that this will be the first stepping-stone towards a broader eco-city concept to support the 2040 strategy. Further consultation on this model would not be required.

10. Appendices

- (A) Summary of Zealandia funding requests
- (B) Issues with the status quo
- (C) Summary of consultation process and results
- (D) Content of pre-populated submissions forms from the Zoo and Zealandia
- (E) Colmar Brunton report – Eco-City survey
- (F) Patillo Ltd report – Eco-City focus group
- (G) Zealandia as a strategic asset for Wellington
- (H) MOU, Funding Agreement and measures of success for a partnership model
- (I) Comparative analysis of the partnership model & Eco-City model

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SUPPORTING INFORMATION

1) Strategic fit / Strategic outcome

The paper supports Council's overall vision Wellington towards 2040 – Smart Capital. It supports the strategy of Wellington City taking an environmental leadership role by developing a partnership approach with Zealandia to assist it in establishing financial viability.

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

The recommendations in this report will require \$1.75 million to be included and approved in the Long-term Plan.

3) Treaty of Waitangi considerations

The Karori Sanctuary Trust works closely with local iwi. Zealandia is a significant natural heritage resource for both the city and local iwi.

4) Decision-making

The report sets out the views and preferences of those with an interest in this matter who have been consulted with and presents an option for Councillors to consider.

5) Consultation

a) General consultation

During the Long-term Plan process, considerable consultation has been undertaken by the Council and also by affected parties. A total of 1678 public submissions were received. 1469 of these submissions were received from residents within the Wellington region, 137 nationally, 39 internationally and 33 from an unknown destination.

Staff from the Wellington Zoo, Parks and Gardens, Otari Wilton Bush, and Zealandia also made submissions on the options presented in the LTP process.

b) Consultation with Maori

Iwi were identified as key stakeholders in the consultation plan and kept informed of progress.

6) Legal implications

Council lawyers have been consulted during the development of this report.

7) Consistency with existing policy

This report recommends a partnership approach to be taken with the Karori Sanctuary Trust. This approach is not inconsistent with the approach taken by Council in working with other organisations that are recognised as important to the city.

APPENDIX A

Karori Sanctuary Trust funding requests

APPENDIX A

The Trust Board has approached the Council with respect to ongoing funding support and has made a number of funding requests to Council as detailed below:

- The Trust Board prepared a report to Council entitled *Towards Financial Sustainability* which sought funding support from the Council of \$1.4m in 2012/13, \$1.3m in 2013/14 and \$1.2m in 2014/15 (\$3.9m over three years). It also indicated that funding support beyond these years would be required.
- Following discussions with Council the Trust Board submitted a revised funding request in November 2011 seeking funding of \$950k for the three years from 2012/13 (\$2.85m over three years). Whilst it is not explicit in the revised funding request, the financial forecast supplied by the Trust Board to support its request shows a need for continued funding beyond the three years requested.
- On 13 March 2012 the Trust Board submitted a further revised funding request. This request sought funding from Council of \$700k in 2012/13, \$1.1m in 2013/14, \$1.0m in 2014/15 (\$2.80m over three years) and ongoing funding thereafter reducing by \$100k per annum.
- On 2 April 2012 the Trust Board submitted its final funding request seeking funding from Council of \$700k over the next three years.

The table below summarises these funding requests and the amendments which formed the basis for the reduction in funding from \$2.8m to \$2.1m. Officers note that a significant proportion of this reduction is based on the utilisation of Zealandia cash reserves. Based on the three year forecast information provided, officers have assessed that Zealandia cash reserves of up to \$1m may be required to meet forecast annual operating deficits, capital expenditure and loan repayment for the three years to 2014/15 under the \$700k per year funding request scenario. While indications are that Zealandia has sufficient cash to meet operating requirements for 2012/13, officers note that there is some risk as to whether the current operating model will enable sufficient reserves to be sustained to meet the balance of funding requirements for the following two years. This issue, along with the impact exhausting cash reserves may have on the ability of Zealandia to fund asset replacement in the medium/long term will be considered as part of the interim Board review.

Funding requests from Karori Sanctuary Trust	2012/13	2013/14	2014/15	Total 3 yrs
	\$'s	\$'s	\$'s	\$'s
October 2011	1,400,000	1,300,000	1,200,000	3,900,000
Amended November 2011	950,000	950,000	950,000	2,850,000
Amended March 2012	700,000	1,100,000	1,000,000	2,800,000
<i>Amendments signalled in 2 April 2012 request (in response to Working Group report):</i>				
Reduce from 7 to 5 Trustees	(26,000)	(26,000)	(26,000)	(78,000)
Shared service savings	(25,000)	(25,000)	(25,000)	(75,000)
Utilisation of cash surpluses	(200,000)	(200,000)	(200,000)	(600,000)
Other changes (net)	1,000	1,000	1,000	3,000
Amended request April 2012	700,000	700,000	700,000	2,100,000

APPENDIX A

Issues with the status-quo

APPENDIX B

Without significant ongoing funding support, the current Zealandia business model is considered unsustainable. The funding options considered by the Trust Board are largely reliant on Council funding providing the solution to Zealandia's financial issues; but on a "no-strings" basis.

Whilst Zealandia has endeavoured to improve its financial situation, including reducing costs and reviewing its admission pricing structure, Council analysis of the forecasts presented to it show that the actions and strategies reflected in the forecasts will not alone deliver significant change and that even with some additional funding support from the Council in the short-term, the Zealandia status quo business model is not sustainable.

The key concerns are:

- Zealandia has experienced lower than expected visitor numbers and associated revenues both prior to and since establishment of the visitor centre. Zealandia is on target to better its budgeted visitation targets and annual operating result for 2011/12 - but this is still expected to result in an annual operating deficit in excess of \$500,000 before depreciation and a deficit of more than \$1.4 million after depreciation.
- While Zealandia is forecast to hold cash reserves of around \$700k at 30 June 2012, indications are that the funding of operating deficits will see these reserves diminish rapidly over the next two years, even with some funding from Council. Zealandia does not currently have a strategy that enables it to be financially sustainable without significant on-going funding from the Council.
- Public concern has been expressed around the pricing structure at Zealandia and the impact that this has on accessibility to sanctuary.
- The fixed costs (including overheads and salaries) required to operate Zealandia as a stand-alone entity are high relative to the size of the business. As a result, Zealandia's financial sustainability is highly exposed to revenue fluctuations or failure to meet revenue forecasts.
- The Wellington Community Trust (WCT) loan¹ requires capital repayments of \$100k per annum in addition to the interest on the loan, and as such presents a significant cash flow burden for the Sanctuary.
- The Council loan of \$10.4m and the associated interest costs in the order of \$650k per annum have not been included in the financial analysis of Zealandia. This cost is ratepayer funded, but the interest is not charged to Zealandia. (None of the options considered to date directly address the Council loan and interest costs).
- At this point Zealandia is not funding any of its depreciation. Not funding depreciation means that the Trust is not building sufficient reserves to either

¹ The WCT loan of \$1.5m was sought to provide funding for the construction of the perimeter fence that secures the sanctuary.

APPENDIX B

renew its capital assets, including the exhibits or to repay debt. Given the static nature of the exhibition and the reliance on local visitation, and therefore repeat visitation, this poses a significant risk which will need to be addressed in the future.

Summary of consultation

APPENDIX C

Process

- Two key documents were developed as part of the consultation process - the Statement of Proposal and the Summary of Information. In total 500 Statement of Proposal's and just under 2700 Summary of Information documents were distributed to a number of locations around the city including libraries and at each of the four attractions (Otari-Wilton Bush, Botanic Garden, the Zoo and Zealandia). In addition, both documents were available electronically on the WCC website.
- Public consultation opened on the 16 April and closed on the 18 May. It was advertised through the 'Our Wellington' page in the Dominion Post, and on the WCC Facebook page.
- Key stakeholders were contacted directly informing them of the Eco-City proposal and consultation process. Key stakeholders have been kept informed of the progress with regular email updates.
- An online survey of 500 residents and an independent focus group with 20 participants were also carried out to help gauge the view of the general public.
- A staff consultation process was also carried out, independent of the public process. Council staff were able to make submissions to Human Resources from 9 May until the 23 May.
- All public submissions have been provided to elected members in electronic format (USB) and have also been made available to the public in hardcopy at the Service Centre and Central Library.
- Each submitter received an acknowledgement that their submission had been received and will be advised of the Council's decision on the proposal after the Council meeting of 27 June 2012.

Results

Public submissions

A total of 1678 submissions were received. 1469 of these submissions were received from residents within the Wellington region, 137 nationally, 39 internationally and 33 from an unknown destination.

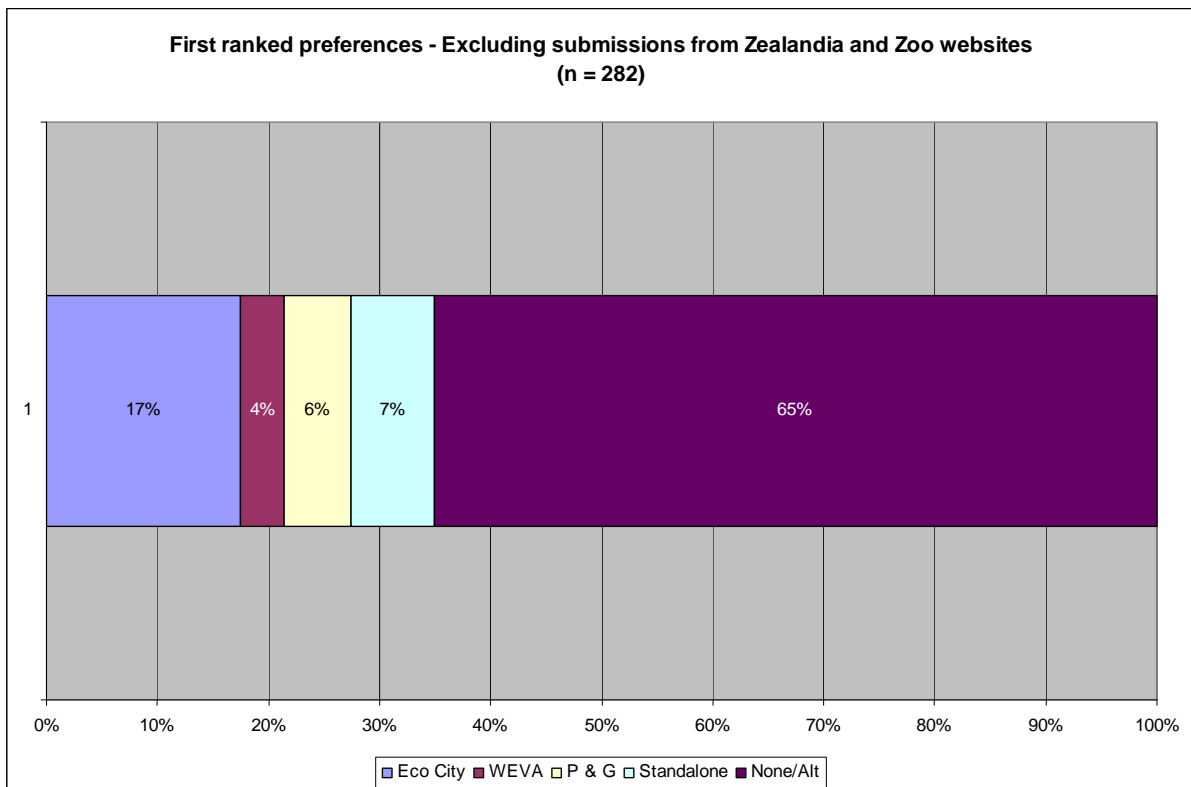
Zealandia and the Zoo were both very active in generating interest in the proposal and designed pre-populated submission forms for their websites. Zealandia's submission form was opposed to any of the four proposed options and campaigned for the status-quo; 1324 submissions were received directly from the Zealandia website. The Zoo's submission form was in support of creating Eco-City; 72 submissions were received directly from the Zoo website.

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The content of the pre-populated submission forms for both the Zoo and Zealandia can be found in Appendix D.

Of the remaining 282 submissions, 133 were received by post and 149 were received electronically via the WCC website.

The graph below shows the percentage of respondents who ranked each model as their preferred option. It shows that none of the identified options had majority support but that of the options themselves the Eco-City model received the stronger level of support:



Below is a synopsis of the feedback received in response to the question ‘*Why did you select your most preferred option?*’.

Summary of feedback

The next section of this report outlines a high level synopsis of written feedback (excluding the pre-populated text from the Zoo and Zealandia submissions) made by submitters in response to the question ‘*Why did you select your most preferred option?*’.

Eco-City model as the preferred option – 17%

A quarter of the submitters who opted for Eco-City as their preferred option did so because they thought it was the most efficient option that offered associated cost savings between the four entities. 8% of submitters thought this would offer the best option to secure Zealandia’s sustainability and a further 8% thought it was the most environmentally focused approach.

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WEVA model as the preferred option – 4%

This proposal received the least amount of support with only 4% of the total submissions. Of these, the main reasons for choosing this option were because submitters thought the Zoo and Zealandia should be separate from Parks & Gardens (31%); it presented the least risk that Council would end up charging for entry to the Botanic Garden & Otari-Wilton's bush (31%), and that Zealandia would benefit from working with the Zoo (19%).

Parks and Gardens model as the preferred option – 6%

The main reason submitters chose this option was because they felt the Zoo is too different to the other entities (24%). The other top reasons given for choosing this option was because Parks and Gardens are currently free (19%) and also that it was felt this presented the most cost effective option (19%).

Stand-alone CCO model as preferred option – 7%

27% of submitters who prefer the stand-alone model believe that Zealandia has a unique vision and its goals need to be preserved. A further 27% believe that it is only Zealandia that is having difficulties so it should remain separate from the other entities. 15% thought it was the most appropriate way for Council to have more control if it were to provide further funding.

None of the models/an alternative model – 65%

This was by far the most popular choice with 65% of written submissions choosing this option. Of these, 20% made this choice because they preferred the status quo. A further 20% couldn't see how there could be any cost savings as a result of any of the other options and 8% thought the other models would cost ratepayers more, not less.

Of the 282 written submissions received 31% commented that the status-quo should be considered. Other alternative funding models for Zealandia included a Council subsidy and public-private partnership.

By far the most common comment across all submissions not in support of the Eco-City model was that any form of Council control over Zealandia would have the potential to impact negatively on the volunteer support on one or all of the entities.

The key theme from the written submissions was that the status-quo should be considered. A number of submissions also commented that the process appeared rushed and the Council should take more time to consider the alternative options and complete more detailed analysis.

These comments were further supported by the majority of the 58 oral submissions of which many were from supporters, members and volunteers of Zealandia and were opposed to any of the proposed options. Additionally, there was feedback that there was not enough consultation conducted prior to the proposal and that the savings identified by the Working Group would not stand up to scrutiny.

Staff submissions

Affected Council staff were given the opportunity to submit comments on employment and policy matters on the proposal. Staff were provided with a consultation document which was offered to the Zoo and Zealandia. The Zoo ran an identical consultation process with their staff.

The following submissions were received:

1. Parks & Gardens business unit joint submission
2. Otari-Wilton's Bush staff submission (addendum to Parks & Gardens submission)
3. The Botanic Garden staff submission (addendum to Parks & Gardens submission)
4. 10 individual submissions from affected staff in The Botanic Garden and Otari-Wilton's Bush
5. Four individual submissions from affected staff at the Wellington Zoo.

Council staff

The Parks & Gardens submission reviews the strengths and risks of the Council's preferred option. Their preference is that the Council seeks further information and detailed analysis on the four entities before a decision is made to ensure that the model and funding are right and don't negatively impact on other visitor attractions.

The submission then goes into a detailed analysis and recommendations based on if the Council approves the Eco-City model or if it rejects the Eco-City model. An alternative proposal is recommended.

There were thirteen individual submissions from staff on the Eco-City Proposal.

- 4 supported option 1: Zealandia as a stand-alone CCO. This was supported because the issues at Zealandia are seen as their problem and it carries the least risk to the other organisations.
- 2 supported option 2: WEVA model. This was supported because they both have a conservation element and because it is the easiest to implement with the Zoo and Zealandia already set up as trusts.
- 3 supported option 3: bringing Zealandia into Parks & Gardens. This was supported because of the level of skills and expertise in the Parks & Gardens teams and the wider Council to support Zealandia.
- Option 4 was not supported.

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- 1 supported an alternative option but did not state what this should be.
- 3 staff did not complete the rating exercise but provided other feedback.

Many submitters were worried about the potential detrimental impact on Parks & Gardens if the Eco-City proposal goes ahead and did not want to see the Botanic Garden and Otari-Wilton's Bush split off from the business unit. There was also concern raised about the impact on the 'friends of' groups and that the gardens may lose community and business support.

Zoo staff

There were 4 submissions from staff at the Wellington Zoo

- 2 supported option 4: Eco-City. This was supported to reduce the current levels of antagonism from Zealandia towards the zoo and because good management will provide the best support for Zealandia.
- 1 supported option 2: WEVA model. This was supported because the relationship between the Zoo and Zealandia was seen as being more relevant than for the other organisations.
- 1 supported option 3: bringing Zealandia into Parks & Garden. This was supported so that the Council can share their maintenance and horticulture teams.

Summary of survey results

An independent survey was conducted by the market research company Colmar Brunton and gathered the views of 513 Wellington residents who might not otherwise make a submission regarding the Eco-City proposal i.e. those without a vested interest in the proposal.

The survey found that 71% of residents surveyed supported the Eco-City model. The WEVA model was the next most preferred option (12%), with residents seeing similarities between Zealandia and the Zoo. The Parks and Gardens and Stand-alone models are mainly supported (6% and 5% respectively) by those residents who did not want to see Zealandia and the Zoo merged. Of those residents who do not support any of these models (6%) many believe that each attraction should remain separate or prefer the status-quo.

A copy of the full report produced by Colmar Brunton is provided in Appendix E.

Summary of workshop results

Additionally, a focus group was conducted on Wednesday 30 May, to seek the view of 20 members of the general public. Colmar Brunton selected the participants and ensured they had no vested interest in any of the attractions. An independent facilitator from Pattillo Ltd was engaged to ensure an objective process.

The results of the focus group showed that three quarters preferred the Eco City model. The strongest reasons given for this preference were economies of scale;

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financial security and accountability; and retaining the identity of Zealandia. Participants made recommendations for what the Council should do, which included keeping the vision and identity of Zealandia and preserving the volunteering effort. They did not want the Council to introduce a charge for Otari-Wilton's Bush or the Botanic Garden – regardless of any option chosen.

A copy of the full report produced by Patillo Ltd is provided in Appendix F.

APPENDIX D

Content of pre-populated submissions forms

APPENDIX D

Zealandia:

First Name	
Last Name	
Street address	
Suburb	
City	
Phone	
Email	
Preferred option: I choose not to rank the four options of control offered by Wellington City Council. Instead I support the Karori Sanctuary Trust's position: To remain independent and continue to partner with Council rather than be owned by it.	Agree
Why did you select your most preferred option? Edit to suit your own opinion:	<p>The Trust has demonstrated 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 Eco city options will support and advance the sanctuary vision or the city vision. The reasons are:</p> <ul style="list-style-type: none"> . The Trust, as an independent community based organisation, has proven its success. Note that for every dollar (including the \$10m loan) Council has contributed to Zealandia, at least another \$3 (\$7 if Council loan excluded) have been raised from other sources. . Placing organisations with minimal fit together (the Zoo and Zealandia) would not produce added value, but rather, will create risks that threaten and diminish each organisation's future. . There is no evidence that any of the proposed options could do better to advance the sanctuary and the city vision. To the contrary; <ul style="list-style-type: none"> o The suggested savings are theoretical, lacking any consultation to justify them. o Council ownership will dilute the sense of community ownership, leading to reduced community support, higher operating costs requiring increased council funding, and creeping organisational complacency as the lean, efficient

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	<p>management ethic declines.</p> <p>. The Trust position is the most cost effective option to achieve the Trust's conservation and education goals and maintain the goodwill and support of its 450 volunteers, 11,000 members, donors and supporters.</p> <p>On this basis:</p> <p>. I reject all Council proposed options.</p> <p>. I support the Trust position - to provide \$700,000pa funding to the Trust which will allow Zealandia to continue to be an independent community organisation and work in partnership with Council and other partners to achieve the Trust's vision and the city vision.</p>
Do you have any other comments on this issue?	
I would like to make an oral submission (optional, but we urge you to do this if you can). If yes, provide a phone number above, so that a submission time can be arranged.)	

The Zoo:

As a supporter of Wellington Zoo, I support Option 4 to create a new CCO governing Wellington Zoo, Zealandia, Wellington Botanical Gardens and Otari-Wilton's Bush.

Name

Address

Phone Number

Email Address

APPENDIX G

APPENDIX G

Zealandia as a strategic asset for Wellington

Zealandia is a unique conservation area and contributes to the Eco-City and People-Centred City pillars of the *Wellington Toward 2040: Smart Capital* strategy. It has developed from an ecological passion into a business with a significant annual turnover of \$3.4 million. As such it is important to ensure it continues to thrive over the coming decades. The Council considers Zealandia a significant community asset which has a part to play in delivering the 2040 strategy. Through discussions with key stakeholders, including Victoria University, it has been identified that there is potentially real benefit in developing a forum to promote Wellington based leadership in the field of ecological restoration, urban ecology and tourism centred on facilities such as Zealandia and Otari-Wilton's Bush.

Officers have given consideration to the contribution that Zealandia can make to the 2040 strategy:

<i>Reflecting Wellington's shared values as a sustainable, socially just city with a strong sense of community</i>	Zealandia shows that Wellingtonians are aware of the issues facing the world and are taking action
<i>Creating an environment for research and inventiveness</i>	Zealandia expects to provide unique opportunities for research and innovation
<i>Building sense of community</i>	Zealandia is a long-term community driven project which relies heavily on volunteers, and is helping to draw native fauna and flora back into the more urban parts of the city. In itself that process should help to draw in a more diverse range of people from different backgrounds
<i>Supporting more compact, livable urban form</i>	Wellington is easy to get around and its compact urban form presents opportunities for people to connect, in turn resulting in more innovation and ideas. Zealandia represents a large, accessible green space in the middle of a medium-density urban area, but is also very accessible from the high density of the central city. Such spaces make living and working in medium/high density urban areas more attractive
<i>Adding to the city's green credentials</i>	Zealandia and other environmental initiatives are about Wellington defining a place in the new green economy
<i>Creating a destination for international visitors</i>	Zealandia is unique and attracts visitors from around the world, contributing to Wellington as a tourist destination

APPENDIX G

MOU, Funding Agreement & measures of success for the Partnership Model

APPENDIX H

MOU

The MOU would include, but not be limited to:

- acknowledgement of each party's objectives for Zealandia - for example-
 - that it be maintained as an ecological area;
 - that it is a well-run and financially sustainable business;
 - that it develops its role in relation to being an education and research facility;
 - links to the *Toward 2040: Smart Capital* strategy.
- agreed principles for the transition period, during which a review of the governance model and the business model review will be undertaken;
- a joint brief to the Trust Board, as to desired outcomes of the business model review;
- principles of relationship management between the Council and the Trust e.g. key contacts, frequency of meetings, key issues that each will consult with the other on.

Funding agreement

Further to the usual provisions requiring that the funding is used for proper purpose, the funding agreement would provide for:

- the Trust Board to provide to the Council, strategic and business plans and an annual statement of trustee intent, and reports against those documents;
- the ability for the Council to use a range of interventions to address any issues identified by the Council in relation to the management or governance of Zealandia, where agreed performance expectations have not been met, for example (and depending on the nature of the issue identified):
 - a requirement to provide specified information
 - a requirement to carry out specific actions
 - a requirement to engage specialist assistance or advice (with the ability for the Council to appoint the adviser)
 - the ability for the Council to appoint an interim 'statutory manager' to temporarily assume specific functions, powers or duties
 - the ability for the Council to review funding levels or cease funding;
- the Trust Board to engage the Council to provide its back office services;

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- the Trust Board to work with other ecological and visitor attractions and entities to share ideas and opportunities for promotion.

[Note that the existing provisions of the trust deed which apply when the Council is providing financial assistance to the Trust Board, would continue to apply. These include the right of the Council to make the Trust a CCO if the Trust is in breach of its obligations under any funding agreement etc, and also to wind up the trust.]

Measures of success

It is anticipated that as a result of an improved Partnership Model the Council and the Trust Board will be able to deliver the following outcomes:

- Clarity of the roles and future expectations in respect of Zealandia - of the Council, the Guardians and the Trust Board.
- Clarity and common agreement between the Council and the Trust Board will be represented by an MOU.
- Appropriate governance and management structures are in place as a result of the business model review and a governance review by the Trust Board
- The appropriate people will be on the Trust Board – in accordance with a skills matrix developed for the Trust Board (there would be a separate skills matrix prepared for any transition Board); to ensure that the seven members have the breadth of skills required for the Interim Board.
- All board members will exercise their fiduciary responsibility to act in the best interests of the Trust – to assist the organisation to meet its objectives and any other requirements (as the Council will have roles as funder, service provider, and monitor, this would indicate that appointing councillors as Trust members in the transition period would probably present a conflict of interest, and should be avoided).
- There will be a sustainable business model, asset management plans, governance structure, strategic plan, revenue model and partnering plans with other Wellington "destinations" in place.
- Back-office support and shared marketing options have been explored and adopted as appropriate, supported by a service level agreement.
- Achievable targets and monitoring programmes are in place.
- There are positive relationships supporting the roles of the Council, the Trust Board, the Guardians and other stakeholders as appropriate.

APPENDIX I

Comparative analysis

APPENDIX I

The table below summarises the relative merits of the 'partnership model' and the Eco-City options as consulted on with the public.

	Partnership model	Eco-City
Clear roles for the Board, the Guardians, the Council, and Zealandia members	<ul style="list-style-type: none"> ▪ Governance review undertaken by Interim Board would clarify roles of all parties ▪ Strengthened relationship between Council and the Guardians supported by MOU, agreeing future direction for the Trust ▪ Enhanced relationship between Council and Trust, including funding and service agreements to support relationships 	<ul style="list-style-type: none"> ▪ Eco-City is tasked with the overall governance of Zealandia and the other entities, and will develop a process to consider the future roles of the parties going forward ▪ SOI between Council and Eco-City ▪
Overall vision for Sanctuary maintained and achieved	<ul style="list-style-type: none"> ▪ Interim Board reviews business operating model, to find a sustainable model to achieve the vision (not currently the case) ▪ Zealandia retains asset ownership 	<ul style="list-style-type: none"> ▪ Eco-City tasked with maintaining the vision as part of its SOI, and finding a way to make it achievable ▪ Council assumes responsibility for the assets of Zealandia and the corresponding liabilities
Clear objectives for Zealandia (transition period and longer term)	<ul style="list-style-type: none"> ▪ Zealandia's objectives are aligned with Council's broader eco-city objectives and 2040 strategy ▪ There is an increased reliance on formal arrangements between entities to achieve the objectives 	<ul style="list-style-type: none"> ▪ SOI for Eco-City will agree the expectations of Eco-City ▪ The different entities that have common objectives are within the same governance framework, and therefore more likely to work together
Strong business model	<ul style="list-style-type: none"> ▪ Interim Board will commission a time-bound review (1 July to 31 December 2012) of the Zealandia business and operations to identify a model that delivers on the Zealandia vision, and satisfies key stakeholder expectations of a sustainable model 	<ul style="list-style-type: none"> ▪ Eco-City's SOI will set expectation that Eco-City will have a sustainable business operating model
Certainty of Council funding expectations	<ul style="list-style-type: none"> ▪ Council limits its LTP commitment of funding to Zealandia for the first three years, subject to a satisfactory review ▪ The review period (after three years) enables the Council to review the funding 	<ul style="list-style-type: none"> ▪ Council, through Eco-City will assume responsibility of assets and liabilities and operational funding for Zealandia, before it has reasonable certainty over the funding required to deliver a sustainable model. This risk may be heightened if the Eco-

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	Partnership model	Eco-City
	requirements of and its obligations to Zealandia	City model impacts adversely on membership and sponsorship revenues for Zealandia
Volunteer/Sponsorship base retained across affected entities	<ul style="list-style-type: none"> ▪ Maintaining the separate identity and legal nature of the Trust will help address concern over erosion of the volunteer and sponsorship base ▪ This model should seek to maximise external revenues including sponsorship 	<ul style="list-style-type: none"> ▪ Submissions indicated possible loss of volunteer base and pro-bono support for these entities ▪ Possible loss of sponsorship funding if Council is seen as principal funder
Council control relative to risk	<ul style="list-style-type: none"> ▪ Under the funding agreement the Council will advance funding conditional on a satisfactory outcome of the reviews undertaken by the Interim Board ▪ The Council will have an increased range of intervention steps to address Zealandia performance issues. 	<ul style="list-style-type: none"> ▪ The Council has a governance relationship with Eco-City