

## **STAFF REPORT**

**TO:** Mayor and Councillors

**FROM:** Chief Executive Officer

**DATE:** 3 June 2009

**SUBJECT:** Tasman Bays Heritage Trust

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### **Purpose**

This report is prepared to enable Councillors to make decisions on funding for the Tasman Bays Heritage Trust, incorporating the operation of the Nelson Provincial Museum (Town Acre 445), storage facilities for the museum collection, and research and archiving facilities.

### **Background**

The Trust is jointly funded by the Tasman District Council and the Nelson City Council. Initially, the Trust requested urgent assistance to rectify the current storage situation, which is comprised of numerous sites including Isel Park, Founders Park and the Wakatu Estate, none of which are of a standard high enough to ensure the preservation of the region's treasures. Subsequently, the Trust has made a request for a general increase in funding and a re-commitment from the Tasman District Council to a ten year funding programme, which would be described in a joint Memorandum of Understanding between the Trust, Nelson City Council and the Tasman District Council.

### **Discussion**

1. Council, as part of its consultation and discussion during the Ten Year Plan 2009/2019 process, has heard submissions from the Trust on its position.
2. Discussions have been had with the Trust, putting forward a tentative proposal for premises suitable to meet the Trust's storage needs. This proposition indicates that the Tasman District Council will take responsibility for the additional storage costs, while still maintaining the previous cash operating grant and interest free loan, provided that the Trust could demonstrate by way of a new Statement of Intent, that it could operate within its grant levels, and reorganise its affairs so that it produced an annual cash operating surplus of at least \$250,000, and that at least this amount of \$250,000 would be applied to the NBS loan, currently held by the Trust. The Trust Chairperson has confirmed (orally) that the Trust would like to take up the offer of storage.

Because the Tasman District Council has a need to expand its own storage needs, the Council would take out a lease on secure premises and sub-lease an area to the Trust at no cost. The value of the space 'leased' to the Trust is estimated to be \$60,000 per annum.

3. The Mayor, Deputy Mayor, Corporate Services Manager and Chief Executive have met on various occasions with the Trust Chairperson, and the Trust Board. We have endeavoured to present a clear intent, i.e. that Tasman District Council expects the Trust to be organised in a manner that will ensure that it meets, and does not exceed, the Trust budgets, and that it genuinely addresses the issues in front of it. Specifically, we sought:
  - a) A cash operating surplus that is sufficient to cover annual repayments of 'external' debt at the rate of \$250,000 per annum.
  - b) The storage issues are addressed as per the commitment to the then Prime Minister, Helen Clark.
  - c) A revised Statement of Intent that reflected the above two points and that confirmed the Trust's willingness to make the decisions that would allow it to live within 2009/2010 grants, plus CPI, in future years.
4. The current MOU between the Tasman District Council, the Nelson City Council and the Tasman Bays Heritage Trust expires on the 30 June 2009.

Nelson City Council has been made aware of Tasman District Council's position. It is understood that the Nelson City Council will fund the Trust on the basis of last year's grant plus CPI. The actual figure for 2009/2010 is \$757,995. Nelson City Council will also continue its \$1.2 million interest free loan.

5. The Trust has indicated that it wishes to take up the offer of 660 m<sup>2</sup> of storage space for 'low risk' storage. The Trust has also sought funding for a feasibility study to more fully investigate all storage needs. The Trust has sought continuation of the present interest free loan of \$1.2 million. The Trust also seeks a new funding Memorandum of Understanding (MOU) to guarantee Tasman District Council funding contributions for the next ten years.
6. The cost of funding to the Trust is covered by way of the museums facilities rate. The full cost of funding for each operating grant, interest free loan and the provision of storage space is calculatable as follows.

2009/2010 Cash Operating Grant (adjusted for inflation)	\$748,700
Value of interest free loan at 7.2%	\$86,400
Value of storage space	<u>\$60,000</u>
	<b><u>\$895,100</u></b>

The museum facilities rate also provides some funding for the District's small museums.

The Draft Ten Year Plan 2009/2019 museum facilities rate was \$35.82 per rating unit (GST exclusive). The proposed Final Ten Year Plan 2009/2019 figure would be \$46.66 per rating unit (GST exclusive).

In subsequent years the figure would be subject to annual inflation adjustments, or revisions in actual costs.

Inclusion of the interest contra leads to an equivalent reduction in the general rate.

7. If funding is provided on the above basis, the Trust will be expected to
  - a) Operate within the budget limits set out in any Statement of Intent approved by the Council.
  - b) Commence loan repayments on non-Council loans in a manner set out in any Statement of Intent approved by the Council.
  - c) Complete a feasibility study of all storage needs within 12 months.
  - d) Take up the storage space provided by the Council.

Subject to the agreement on these terms the Council will enter into a funding Memorandum of Understanding between the Council and the Trust, to quantify funding to the Trust, by the Council, for the term of the Ten Year Plan (2009/2019).

8. If agreement cannot be reached on these terms the Council will still provide for the same quantum of funding in the Council Ten Year Plan, but require the Trust to make annual applications to the Council for grants which will not be guaranteed over the ten year term.

## Recommendation

1. THAT Council offers the Tasman Bays Heritage Trust the cash operating grant outlined in the draft LTCCP (\$748,700) for 2009/2010
2. THAT Council takes the head lease on a storage facility, sub-leasing an area to the Trust, suitable to the Trust's needs for low risk storage. This provision of storage is equated to \$60,000 per annum by way of contra the rent and share of outgoings. As the first year ended June 2010 is only a part year there should be enough left in the \$60,000 to part fund the desired "feasibility study".
3. THAT Council continues to provide the \$1.2 million interest free loan, but the cost to the Tasman District ratepayers will be recognized, and shown, in the museum target rate. It will be a contra entry in the Tasman Bays Heritage Trust accounts.
4. THAT Council will consider a final draft of a Statement of Intent for 2009/2010 from the Trust. The Statement of Intent will need to include a full profit and loss/operating account, a full cash flow statement, and a full balance sheet. If Council is satisfied that the Statement Of Intent shows cash operating surpluses, and annual repayments, of \$250,000 per annum to NBS, Council will enter into a new separate MOU with the Trust to cover funding for the next 10 years to 30/6/2020.
5. THAT the new MOU will be separate for any Nelson City Council MOU. It will include reasonable terms satisfactory to the Council. Signing of the MOU by both parties will allow the Council the confidence to continue with annual grants to the Trust.
6. THAT Council writes immediately to Trust setting out what is essentially an offer of future funding subject to agreement on the terms. Council will make payments to the Trust, based on an MOU if one can be agreed. If terms for an MOU can not be agreed, Council will continue grants on an annual basis at its discretion.

Paul Wylie  
Chief Executive