

11. CANTERBURY MUSEUM – DRAFT ANNUAL PLAN

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PURPOSE OF REPORT

1. The purpose of this report is to submit the Draft Annual Plan of Canterbury Museum for the year ending 30 June 2007 to the Council for review and approval.

EXECUTIVE SUMMARY

2. The levies proposed to be made on this Council are the same as those forecast in last year's plan.
3. The net operating costs are greater than in previous years' forecasts, primarily due to increased depreciation forecasts.
4. The capital expenditure budgets have now been re-forecast to take account of the revised costs of the revitalisation project as advised to the Council in early March. However, the funding mechanism approved by the Council in March 2006 for the additional \$5 million has not yet been reflected in the plan.
5. There is an opportunity to request the Museum to amend its future forecast in this plan to recognise this Council's preferred funding mechanisms.

FINANCIAL AND LEGAL CONSIDERATIONS

6. The Canterbury Museum Trust Board Act 1993 requires the Board to prepare and adopt an annual plan in each year.
7. The draft annual plan is referred to contributing local authorities for a period of consultation, which this year concludes on 28 April 2006, but has been extended for this Council to 5 May 2006.
8. The levies may be objected to by the Christchurch City Council or two or more of the remaining contributing authorities and if an objection is received the Board must convene a meeting and the Christchurch City Council or not less than three other contributing authorities may resolve to reduce the levy to an amount which is not less than the total levy made in respect of the previous year (section 16 of Canterbury Museum Trust Board Act 1993).
9. Submissions may be made to the Museum requesting them to amend the plan (section 15.4 of Canterbury Museum Trust Board Act 1993).

STAFF RECOMMENDATIONS

It is recommended that the Council:

- (a) Approve the Canterbury Museum Annual Plan for the year ending 30 June 2007.
- (b) That a submission be made to the Canterbury Museum Trust Board requesting that the forecasts in the plan for future years reflect the additional \$5 million local authority funding being financed by loan and the debt servicing recovered through levies over all contributing local authorities.
- (c) Authorise the Director of Strategic Investment, or an elected representative, to represent the Council at a meeting of contributing authorities, if this becomes necessary.

BACKGROUND ON CANTERBURY MUSEUM - DRAFT ANNUAL PLAN

10. The draft Annual Plan (attached) sets out in broad outline the mission, vision and core values of the museum together with detail on the organisation structure, performance objectives, financial summaries and an outline of the proposed operating, capital and revitalisation budgets.
11. The plan is available for consideration by the contributing local authorities for a period of six weeks which officially concludes on 28 April 2006. Since the Council meeting scheduled for 27 April was cancelled the Museum has agreed to accept any Council response to the Annual Plan provided if it is received by 5 May. To preserve the Council's position, a pro-forma submission on the annual plan has been lodged by the due date, which reflects the recommendations of this report. If the Council chooses to change the recommendations of this report, then that can be advised to the Museum by 5 May.

Operating Budget

12. This Council considered the financial forecasts at a seminar in February presented by the Museum and after considering a written report at a meeting on 2 March 2006, approved the operating levies for inclusion in the LTCCP.
13. While there are rights of objection if the levies have increased, it would be inappropriate to object as the increase proposed for 2006/07 is in line with previous forecasts. These forecasts were approved by this Council several years ago when it agreed to a series of increases to enable the Museum to fund its depreciation on a sound footing. There have been some increases in costs (primarily depreciation – see comments below) but the Museum plans to absorb the net operating deficit.
14. The following table compares the current plan operating forecasts with those included in last year's plan (shown in italics):

	2005/06 Budget	2006/07 Budget	2007/08 Budget	2008/09 Budget
	\$000	\$000	\$000	\$000
Self generated revenue	982 <i>972</i>	1055 <i>1076</i>	1005 <i>1117</i>	857 <i>1485</i>
Operating costs	4894 <i>4884</i>	5094 <i>5096</i>	5296 <i>5379</i>	5773 <i>5494</i>
Net cost before depreciation	3912 <i>3912</i>	4039 <i>4020</i>	4291 <i>4262</i>	4917 <i>4009</i>
Depreciation	1027 <i>1027</i>	1212 <i>1078</i>	1432 <i>1132</i>	2005 <i>1461</i>
Net cost including depreciation	4939 <i>4939</i>	5251 <i>5098</i>	5723 <i>5394</i>	6922 <i>5470</i>
LA levies	4886 <i>4886</i>	5115 <i>5115</i>	5626 <i>5354</i>	6752 <i>5564</i>
Operating deficit (surplus)	53 <i>53</i>	136 <i>(16)</i>	97 <i>41</i>	170 <i>(93)</i>

15. The following observations are worthy of note:
 - The levies remain as forecast in previous years and are consistent with provision made in the Council's LTCCP
 - Operating costs, excluding depreciation, are close to last year's forecasts, except in 2008/09 where the increased costs of the new building operation start to kick in. The annual increase in operating costs otherwise generally reflects inflation.
 - Depreciation is significantly above previous forecasts reflecting increased valuations of land and buildings

- Operating deficits (surplus) are above previous years reflecting the absorption of increased net costs while holding the LA levies.
- Revenue forecasts are generally in line with previous forecast, except in 2008/09, which reflects the period when the museum is in the middle of the revitalisation projects. In subsequent years the forecasts more than rebound (\$1.5m+) reflecting the increased revenue opportunities from the revitalisation project.

Capital Budget

16. Following a February seminar to the Council by the Museum I reported to the Council at its 2 March 2006 meeting regarding the revised estimates for the revitalisation project. The increased requirement for funding being sought from local government is \$5 million and this Council agreed as follows:

“That the Canterbury Museum be advised that this Council will support the increased local authority funding provided the Museum raises the funds by way of loan and recovers the cost by a special levy equivalent to the debt servicing costs of the loan.”

“That the Museum be advised that it expects the other local authorities to be approached to provide their proportionate share of the needed support for this approach and that if they don't the Museum should absorb the ex-gratia payment of \$515,887 into the ordinary levy.”

17. The issue of funding the additional capital levy has not yet been addressed with the other local authority contributors, but has been reflected in the forecasts as an additional levy on this Council from 2007/08. This simply reflects a timing issue in distributing the annual plan and also the fact that this is an annual plan with the main focus on the 2006/07 year. If the funding is to be raised by way of loan as proposed by this Council then it would be appropriate for this to be reflected with the debt servicing costs added to the operating levy.
18. As a catalyst to getting the issue discussed between the various contributing authorities it would be prudent for this Council make a submission on the annual plan (section 15(4) of the Canterbury Museum Trust Board Act) seeking to have this matter forecast in the annual plan as though the additional funding is sourced from loan and serviced by the operating levy. This will stimulate support for this funding arrangement being resolved before the Museum confirms the annual plan

Annual Levy and Grants

19. The annual levy on local authorities is distributed according to an agreed formula based primarily on population. The share of the total operating levy for this Council is estimated at \$4,688 061. Part of that includes a special ex gratia payment from this Council of \$515,887 agreed some years ago when the Council agreed to fund loan servicing for internal restoration/strengthening work. The full amount of the levy has been provided in the Council's draft annual plan. When the final valuations are determined at the end of June there could be some redistribution of the levy amongst the various contributing local authorities. However, any change is likely to be quite small.
20. In addition, a special capital levy of \$305,773 was agreed to by this Council in 2003 for a finite period to 2007/08 to meet a specific part of this Council's contribution to the revitalisation project.
21. A grant of \$732,500 is due to be paid in 2006/07 from the Capital Endowment Fund income as previously approved.

Other Content of the Plan

22. The general content of the 2006/07 annual plan is largely the same as the previous years plan. There has been some minor adjustments to the performance objectives and these have been highlighted in the margin of the attached copy. Apart from this the only changes have been in the financials which have been summarised above.

The Objection Process

23. The Canterbury Museum Trust Board Act (Section 16) provides that either the Christchurch City Council or two or more of the remaining contributing local authorities may give notice objecting to the proposed levies. If this happens the Board must convene a meeting of the contributing authorities within a month. At that meeting the Christchurch City Council or not less than three other contributing authorities may resolve that the levy be reduced to an amount no less than the previous year.
24. It is understood that some of the other local authorities are concerned about future forecast increases in the operating levies and may object to the annual plan. As noted above, the meeting which the museum will have to call, if this is the case, will be an opportunity to push for a rationalising of the levies.
25. Delegated authority is sought for the Director of Strategic Investment or an elected representative to have authority to represent the Council at such a meeting if it is called.