

8. THEATRE ROYAL – PROVISION OF EQUITY FUNDING

Officer responsible
Director of Strategic Investment

Author
Bob Lineham, DDI 941-8411

PURPOSE OF REPORT

1. The purpose of this report is to obtain confirmation from the Council for the provision of funding to the Theatre Royal as approved in the Council's 2004/05 LTCCP and budget.

EXECUTIVE SUMMARY

2. The Council resolved at a meeting on 15 July 2003 to provide in its budget for 2004/05 for equity funding of \$2.3 million to provide a contribution to the Theatre Royal redevelopment project. This provision was subject to the following condition:

"That the provision of this funding to the Theatre Royal be subject to the Council being satisfied, after full investigation during 2003/04 that suitable arrangements can be made which meet the Council's need to capitalise its contribution to this project."

3. The main purpose of this qualification to the July 2003 approval was to ensure that the funding could be treated as a capital item in the Council's accounts.
4. Following discussions with the Theatre Royal legal adviser it has been agreed the appropriate mechanism is for the Council to subscribe for \$2,300,000 redeemable preference shares in the Theatre Royal Foundation at an issue price of \$1 each and for a total consideration of NZ \$2,300,000. This meets the need of the Council, anticipated in the resolution, by providing an ability for the Council to treat this contribution to the project as an investment in its balance sheet.
5. In December following the final Council meeting for the year it became necessary to finalise this funding mechanism and make the funds available as the Theatre Royal project had commenced and funding could be needed before the February Council meeting.
6. The resolution was not completely clear whether staff acting on behalf of the Council were empowered to finalise the arrangements. After contacting all Councillors in late December it was clear that a majority of the Council were supportive of the project and recognised that the purpose of the qualified approval in July 2003 was so that the funding mechanism could be satisfactorily sorted out. On the basis of the support from individual Councillors I then proceeded to finalise the documentation for a share subscription in anticipation of formal approval 1 February 2005. The funding investment in the redeemable preference shares was concluded with the Theatre Royal Foundation on 24 December 2004.
7. Formal ratification for this action is now requested from the Council.

STAFF RECOMMENDATIONS

It is recommended that the Council:

- (a) Approve the subscription for 2,300,000 redeemable preference shares in the Theatre Royal Foundation at an issue price of \$1 each and for a total consideration of \$2,300,000.
- (b) Ratify the action of staff in concluding this arrangement on 24 December after consultation with Councillors.