

**APPROVED BY THE WELLINGTON MAYORAL FORUM ON  
27 NOVEMBER 2009**

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## **FUNDING REGIONAL AMENITIES**

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### **1. Purpose of Paper**

The enactment of the Auckland Regional Amenities Funding Act (ARAFA) 2008 suggests that it would be timely for the Wellington region to undertake a review of its own funding arrangements for regional amenities. The purpose of the review would be to ensure that those amenities of regional scale and benefit continue to have adequate long-term funding, given their significant contribution to Wellington's profile as an attractive, vibrant and competitive city-region.

This issue has been discussed by the Chief Executives Group (CEG) and the Mayoral Forum. The Mayoral Forum has agreed for the following paper to be presented to each Council with a view to seeking input and agreement on a proposed work programme on regional amenities funding, to be administered via the CEG.

A programme of work for the region is attached. The work programme is divided into several key phases, at the end of each of which will be an opportunity for review and input by each Council.

### **2. Recommendations**

It is recommended that each Council:

1. **Receive** the report
2. **Note** that feedback from each Council on this paper's proposal will be considered at the next Mayoral Forum in February 2010
3. **Agree** to a review of regional amenities funding on the basis of this report;
4. **Agree** that, subject to the outcome of the consideration of this report by Councils, the Wellington Mayoral Forum will be the governance body for the review and the chief decision making body, with direct channels of communication to the separate Councils, and that the Chief Executives' Forum will deliver an agreed programme of work and advice to the Wellington Mayoral Forum (as outlined in **Appendix 1**)

### **3. Background**

With the enactment of the Auckland Regional Amenities Funding Act (ARAFa) in August 2008, it is timely to consider whether Wellington needs to review the funding arrangements for its own regional amenities. The ARAFa was introduced in response to the need for a more secure and sustainable funding arrangement for regional amenities, including various charitable, cultural and performing arts organisations, as well as for major events. The Act significantly increases the overall funding pool available to support these amenities (from \$3.6 million in 2007/08 to around \$16 million in 2010/11), recognising that they provide invaluable services for the community and form an important part of an attractive, vibrant city.

As in the case of Auckland, there are a number of cultural and community organisations and events in Wellington that contribute to Wellington's overall well-being and to its appeal as a lifestyle and visitor destination. Wellington's claim to international competitiveness depends in part on its ability to ensure a secure funding stream for these amenities and services. There would be negative consequences for Wellington city and the region as a whole – given the city-region interrelationship – should Wellington fail to keep up with the future funding needs of the amenities expected of a major city-region and cultural centre.

The fact that potential competitors such as Auckland will be increasing their level of funding for cultural amenities over the medium term puts even greater pressure on Wellington to examine the adequacy of its current funding arrangements.

### **4 Regional governance**

The region has begun discussions on Wellington's future governance, driven in part by changes afoot in Auckland, but also because we need to consider what is best for our own future and be prepared for change. The Regional Mayoral Forum has agreed that a draft terms of reference for a review of governance in the Wellington region should be considered by each council in the region, with feedback being provided to the regional Chief Executives Group for consideration in early 2010.

Any major changes as a result of this process are likely to be some way off, and the imperatives for reform in Auckland will be different in Wellington. In the meantime, there is a need for the region to provide leadership on the question of regional amenities funding. As was the case in Auckland, the possibility of future regional governance reform should not impact on the need to examine possible solutions for funding of regional amenities.

### **5 Auckland Regional Amenities Funding Act (ARAFa)**

The ARAFa provides a legislative framework for regional amenities funding, including governance mechanisms to oversee and apportion funding to eligible entities. This may be one model to explore should Wellington choose to decide to go down a similar track (without ruling out the possibility of a non-legislative option.) Under ARAFa, an

Electoral College of territorial authority representatives (established under the Auckland War Memorial Museum Act 1996) will decide which entities will be eligible for funding under the Act and, as well as a funding plan for each financial year. In carrying out these duties, the Electoral College will receive advice from a Funding Board, comprising ten members – six appointed by the Electoral College and four by relevant amenities recognised under the Act (the Amenities Board).

The Act contains a list of criteria for determining what is a regional amenity for the purposes of regional funding. This includes whether or not funding of the amenity contributes to the wellbeing and attractiveness of the region as a place to live and visit, whether residents of the region use, or otherwise benefit from, the particular services or facilities, the perceptions of residents as to whether the facility or service is regional, whether the amenity is a registered charitable trust, and the type of internal accountability structures and reporting processes that the organisation has in place.

A list of existing Auckland organisations considered to be of regional significance is included in the Act, as set out in the table below. This does not preclude other entities from applying for regional amenity status.

The Act specifies the amount of funding to be provided for each organisation in the first year of implementation. This represents an overall increase in funds from approximately \$3.6 million allocated in the 2007/2008 financial year (with Auckland City Council providing the main share) to \$12.7 million in the 2009/2010 year, with the funding burden redistributed between councils in the region according to a formula. The current year's funding allocation for each specified amenity is shown in **table 1** below.

Following the first year of funding under the Act, the amount to be paid to each entity will be determined as part of an annual funding plan developed by the Funding Board. The Act allows the combined levy of contributing authorities to rise to a maximum of \$16 million in the second year (2010/2011) and \$19 million in the third year (2011/2012) of its implementation.<sup>1</sup>

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<sup>1</sup> In the event the Auckland Zoo has not been set up as a separate entity, then the maximum amount to be levied on all councils combined will be \$12 million and \$15 million in the second and third years of the Act respectively.

**Table 1: Funding for regional amenities in Auckland**

<b>Specified Auckland amenity</b>	<b>2009/10</b>	<b>2010/11</b>	<b>2011/12</b>
Auckland Observatory and Planetarium	\$500,000	Maximum combined levy of \$16 million	Maximum combined levy of \$19 million
Auckland Philharmonia	\$1,500,000		
Auckland Regional Rescue Helicopter	\$1,500,000		
Auckland Theatre Company	\$800,000		
Auckland Zoo <sup>2</sup>	\$4,000,000		
Coastguard Northern Region Inc	\$500,000		
NZ National Maritime Museum	\$1,000,000		
NZ Opera	\$500,000		
Surf Life Saving Northern Region Inc	\$700,000		
Auckland Festival	\$1,200,000		
Watersafe Auckland Inc	\$500,000		
<b>Total</b>	<b>\$12.7 million</b>	<b>&lt;\$16 million</b>	<b>&lt;\$19 million</b>

In the fourth and subsequent years, the maximum combined levy will be 2% of the total adjusted revenue from rates of all contributing authorities in the previous financial year.

The funding formula as it applies to each contributing local authority is based on council revenue from rates, but adjusted for a differential factor specified in the legislation. (The differential recognises that the services provided by the amenities are not shared evenly given the distance or isolation of some council areas.) This adjusted revenue is then multiplied by the total amount to be paid to regional amenities to determine the individual council contribution, i.e.:

Adjusted revenue \_\_\_\_\_ X Total amount

Total adjusted revenue

Post-transition to the new Auckland Council in November 2010, it is anticipated that the funding stream and mechanisms remain largely the same as now, the difference being that the Electoral College that currently comprises the territorial authority

<sup>2</sup> Funding for the Auckland Zoo under the ARAFA is subject to the Zoo being set up as a separate entity from the Auckland City Council.



representatives of the region be replaced by either a committee of the Auckland Council or possibly a council-controlled organisation.

## **6 Possible principles for what constitutes a “regional amenity”**

The ARAFA sets out specific criteria on what constitutes a regional amenity for the purposes of regional funding (below). Subject to further consideration by Chief Executives, these could be adapted into a set of principles for the Wellington region, to be used as an initial basis on which councils might consider what constitutes a regional amenity for the purposes of carrying out a regional exercise. Any final definition and confirmation of regional amenity status would, however, need to be agreed through the regional process.

*Auckland Regional Amenities Funding Act 2008 – assessment criteria for regional amenities for funding purposes (s14):*

- *whether funding the organisation meets the purposes of this Act [namely, to provide adequate, sustainable and secure funding for amenities that contribute to Auckland’s well-being and its attractiveness as a place to live in and visit]; and*
- *whether the organisation provides its facilities or services to residents of and visitors to the Auckland region; and*
- *whether the facilities or services that the organisation provides to residents of and visitors to the Auckland region are facilities or services that are not otherwise generally available; and*
- *whether the residents of the Auckland region visit or use, or otherwise benefit from, the organisation; and*
- *whether, according to independent market research, the residents of the Auckland region perceive the organisation as a regional one; and*
- *whether the organisation has proper governance and management structures; and*
- *whether the organisation has structures for ensuring that any funding provided to it under this Act is used predominantly for the organisation’s facilities or services; and*
- *whether the organisation has operated within a properly prepared budget, annual business plan, and long-term plan over the 5 years immediately before the date on which the Funding Board or the Electoral College applies this criterion; and*
- *whether the organisation has audited financial accounts covering the 5 years immediately before the date on which the Funding Board or the Electoral College applies this criterion; and*
- *whether the organisation is a registered charitable entity under the Charities Act 2005.*

The ARAFA criteria restricts eligibility to those amenities that are registered as a charitable entity under the Charities Act 2005.

The region might also need to consider as part of the work programme whether the rationale for funding regional amenities should also apply to funding regional events,

i.e. those high profile events that deliver regional benefits such as the Sevens, World of Wearable Art and Rugby World Cup. (The International Festival of the Arts is a registered entity but could also be seen as a regional event). These signature events are arguably as important to the profile and economy of the region as more conventional institutions. Given their significance and the fact that such events are increasingly vulnerable to competitive bidding by other cities, there may be a case for considering regional events alongside other amenities that are potentially eligible for regional funding.

## **7 Next steps**

The principle that underpins ARAFA - that the amenities and services contributing to the well-being of the region should be funded regionally – is one that has potential resonance in the Wellington context. However, any solution here in Wellington needs to be grounded in an assessment of the current and future needs of the region, plus an understanding of what the wider community considers an appropriate level of support for regional amenities/services and what these might be.

The Auckland approach was informed by a series of market surveys to test public perceptions around which amenities were regional in nature, as well as the community's support for sharing the funding burden for these. Similar market research would need to be carried out here in Wellington.

**Appendix 1** outlines a possible programme of work, based on the steps that would need to be undertaken as part of a regional discussion, relevant issues for consideration, and a broad timeline for the completion of various phases of work. Consideration might be given to which local authority/ies and/or organisations may be best placed to lead key pieces of work.

The work programme is divided into several key phases, at the end of each of which will be an opportunity for review and input by each Council.

There are some practical timing considerations relating to the local government elections and draft annual plan consultations. Based on the timeline outlined below, it is assumed that it would be desirable to present initial findings on what constitutes a regional amenity, including funding and governance options, to incoming councils around November 2010 so their views can be reflected back to the Mayoral Forum by end 2010, before moving on to a final recommended outcome by February 2011.

*Contact Officer: Garry Poole, Chief Executive Officer, Wellington City Council*

## Appendix 1

Work phase	Action required	Timeline
<p><b>1. Agree scope</b> Agree scope of work and principles</p>	<p>Agree</p> <ul style="list-style-type: none"> <li>• scope of work, approach, timeframe</li> <li>• principles on what constitutes a “regional amenity” for purposes of undertaking initial review</li> <li>• budget and roles and responsibilities allocated</li> </ul>	February 2010
<p><b>2. Problem definition and research</b>  Clarify issues to be addressed</p> <p>Research on what constitutes a regional amenity</p>	<p>Clarify issues around</p> <ul style="list-style-type: none"> <li>• sustainability of funding</li> <li>• future needs</li> <li>• risks to existing amenities/events and implications for region (including competition from other centres in NZ)</li> <li>• equity – whether facilities/events of regional scale and benefit should be funded regionally</li> </ul> <p>Talk to existing amenities regarding</p> <ul style="list-style-type: none"> <li>• funding</li> <li>• regional role</li> </ul> <p>Test community views on which existing organisations/events might qualify as regional amenities</p> <p>willingness to pay on regional basis</p> <p>Other research to identify regional benefit of various community organisations and events, e.g. tourism flows, usage or attendance by residents</p>	March-May 2010
<p><b>HOLD POINT: REVIEW BY EACH COUNCIL – FEEDBACK CONSIDERED BY MAYORAL FORUM</b>      <b>June - July 2010</b></p>		
<p><b>3. Funding and governance options</b></p>	<p>Explore options on appropriate level of funding appropriate sources (e.g. share of local government funding vis-</p>	August-Oct 2010

<p>Identify funding options</p> <p>Identify governance options</p>	<p>à-vis other sources) options for equitable distribution of funding burden on TLAs (e.g. based on population/how benefits shared across region)</p> <p>Identify mechanisms needed to decide regional status of new potential amenities apportion and oversee funding as well as how these should be formalised, e.g. through legislation or other channels.</p>	
<p><b>HOLD POINT: REVIEW BY EACH COUNCIL – FEEDBACK CONSIDERED BY MAYORAL FORUM Nov - Dec 2010</b></p>		
<p><b>4. Recommendation</b></p>	<p>Agree on preferred option based on funding and governance solution identified above, and identify next steps required for implementation</p>	<p>February 2011 (Note: Auckland's process took approximately 14 months from time Bill was drafted to passage into law)</p>