

**ST JAMES THEATRE CHARITABLE  
TRUST  
(including St James Theatre Limited)**

**STATEMENT OF INTENT**

**2007 - 2010**

7 May 2007

**Prepared for the Wellington City Council in its capacity  
as the Settlor of the St James Theatre Charitable Trust**

**Name of Organisation**

St James Theatre Charitable Trust  
PO Box 9132  
Wellington

The St James Theatre Charitable Trust is a Registered Charitable Trust established by the Wellington City Council. The Trust has provision for the appointment of up to nine Trustees. The current Trustees are:

Chris Parkin (Chair)	Juliet McKee
Carol Stigley	Ian McKinnon
Pele Walker	Roger Miller

**Contacts**

St James Theatre Charitable Trust  
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**Auditors**

PricewaterhouseCoopers (on behalf of the Auditor General)

**Solicitors**

Buddle Findlay  
Morrison Kent

**Bankers**

Westpac  
31-33 Ghuznee Street, Wellington

ANZ Banking Group  
125 Victoria Street, Wellington

**Founding Sponsors** Wellington City Council; Lotteries Grants Board;  
Wellington Community Trust

**Gold Sponsor** Westpac (until 31/10/2007)

**St James Theatre Charitable Trust**  
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# ST JAMES THEATRE CHARITABLE TRUST

## STATEMENT OF INTENT

### 1 The Status of the Trust

The St James Theatre Charitable Trust is a registered charitable trust under the Charitable Trust Act 1957. It is currently responsible for the following facilities:

- Westpac St James Theatre
- The Opera House

#### 1.1 Mission Statement

The Trust's Mission Statement, that was updated in 2005 to reflect the current long-term role of the Trust, still is:

*To provide a world class theatre experience to Wellingtonians and visitors, as well as to local and international theatre hirers, at the Westpac St James Theatre and the Opera House and in doing so to be a major contributor to the*  
**Quality of Life in Creative Wellington - Innovation Capital.**

In order to satisfy the Mission the Trust works to:

- achieve the financial viability and overall success of both theatres
- preserve the heritage aspects of both buildings
- provide a broad range of high quality patron and hirer services to enhance and make viable the total theatre experience
- maintain a highly skilled and dedicated staff
- give leadership in the adoption of best and safe practice in the industry
- continually broaden and grow the audience base and attractions for current and future generations

**In short the Trust works to achieve its logo tag line of "Entertaining Wellington".**

The above mission statement is further underpinned by the Trust's objectives, which are stated in the Trust Deed between the St James Charitable Trust and the Wellington City Council.

#### 1.2 Objectives

The Trust's objectives and direction are largely defined by its Trust Deed (1998) and by subsequent agreements with the Settlor, particularly in relation to the acquisition of the Opera House.

The objectives for which the St James Theatre Charitable Trust was established are:

- (a) To acquire and preserve the St James Theatre in recognition of its value to the citizens of Wellington as an historic building.
- (b) To manage, promote, refurbish and administer the St James Theatre as a venue for the live performance of cultural and artistic events so as to promote an appreciation of the arts in Wellington and to enter into management agreements and other contracts that are necessary or desirable for that purpose.

- (c) To acquire any land or other assets where the Trustees determine that such land or other assets are to be used as part of the facilities of the St James Theatre or in connection with its management and operation.
- (d) Generally to sponsor, support and promote performing arts, and the preservation of historic buildings, in Wellington, but only if the primary objects in (a) (b) and (c) above are, in the complete discretion of the Trustees, being served.
- (e) Generally to do all acts, matters and things that the Trustees consider necessary or conducive to further or attain the other objects of the Trust set out above.

## 2 Governance

The St James Theatre Charitable Trust is a Council Controlled Organisation. It was established in 1993 by the Wellington City Council to manage and administer the St James Theatre.

### 2.1 Role of the Board

The Board is responsible for ensuring that the ongoing viability of the organisation is maintained and that the Trust meets its annual business plan. The Board achieves this through the monthly monitoring of KPI's and financial results of the organisation.

### 2.2 Board Membership

The current structure of the St James Charitable Trust is a Board of Trustees whose members' terms are for a maximum of six consecutive years. There are currently seven Board Members. They are:

Chris Parkin (Chair)	31 December 2009*
Ian McKinnon (Council appointee)	31 October 2007
Carol Stigley	31 December 2007
Pele Walker	31 December 2007*
Roger Miller	31 December 2008*
Juliet McKee	31 December 2009*

\* Reappointable

Council policy in appointing members is to spread the terms to ensure continuity of knowledge is retained within the Board. The Board meets monthly except for December.

They are all non-executive board members with the Chief Executive Officer attending all board meetings and the Finance Manager attending all Finance and Audit Sub-Committee meetings.

### 2.3 Board operations

The Board is responsible for governance and the strategic direction of the business and delegates the day-to-day operational responsibilities to the CEO (and management team), who reports monthly to the Board.

The Board will carry out a general Board evaluation in 2007 and a separate Chair and individual Board Member evaluation in 2008.

The Board operates four formal Sub-Committees and other ad hoc committees as required. The four formal Sub-Committees are the Finance and Audit Sub-Committee, HR Sub-Committee, Property Sub-Committee and Risk/Joint Venture Sub-Committee.

The Trust is also the sole shareholder of St James Theatre Ltd, which operates the two venues. Directors of St James Theatre Ltd are the above Trustees plus:

- Simon Jamieson
- Stephen Whittington

#### **2.4 Finance and Audit Sub-Committee**

The Finance and Audit Sub-Committee meets monthly, reviews financial performance, monitors compliance issues, and initiates reviews of key departmental performance.

#### **2.5 Human Resources Sub-Committee**

The Human Resources Sub-Committee meets from time to time to establish HR Policy and to assist when a senior appointment is being made.

#### **2.6 Property Sub-Committee**

A Property Sub-Committee meets as required to consider major property maintenance or development issues.

#### **2.7 Risk/JV Sub-Committee**

The Risk/Joint Venture Sub-Committee considers any Theatre business proposal where the Trust would be involved at a higher risk level than merely a hirer of the Theatres.

### **3 The nature and scope of the activities to be undertaken**

The Trust will:

- continue to manage and develop the Westpac St James Theatre and The Opera House, delivering high quality experiences, events and programmes for the residents of Wellington and national and international visitors;
- proactively seek to develop new initiatives that link to its role as a key provider of performing arts venues within Wellington;
- work with other organisations with a strategic fit to find ways where it can assist them with their aims to both parties' mutual advantage;
- further develop and broaden the range of programmes with an aim to reach continually wider audiences;
- develop national and international relationships that benefit the venues by partnering with other institutions;
- support the marketing initiatives of Positively Wellington Tourism to ensure a balanced programme of events and exhibitions that will enhance the overall visitor experience to Wellington;
- continue to form close links and partnerships with private sector entities who are interested in the performing arts;
- work with others in the arts and heritage sector to promote opportunities for joint events
- continue to form links with the wider Wellington community, including the education sector.

#### **3.1 Background and operating environment**

The Trust operates in the arts, entertainment and culture sector. It earns income from hirers, own shows, Food & Beverage, tenancies and sponsorship. It acts in a market with competition from other activities competing for patrons' time and discretionary dollar.

#### **3.2 Strategic Direction**

It is clear that the opportunity for the Trust to increase its income from its traditional activities is limited. In an effort to improve its financial performance, the Trust is moving strategically in two areas.

##### ***Asset Performance***

A recent report developed in conjunction with a consultant has identified a number of opportunities when the St James Theatre physical assets can be used more efficiently to

generate increased income. These opportunities are currently under investigation and are expected to be implemented within the financial year 2007/2008.

A separate project is working on the potential development of the backlot of the St James Theatre. This could result in an outright sale or a joint venture development, however, this is likely to be at least a year or more away.

**Non-business income raising**

This covers the area of sponsorship, naming rights and any other sources of funding likely to be attainable by the Trust. The Board is presently evaluating the potential of employing a specialist in this area.

**3.3 Alignment with Council outcomes**

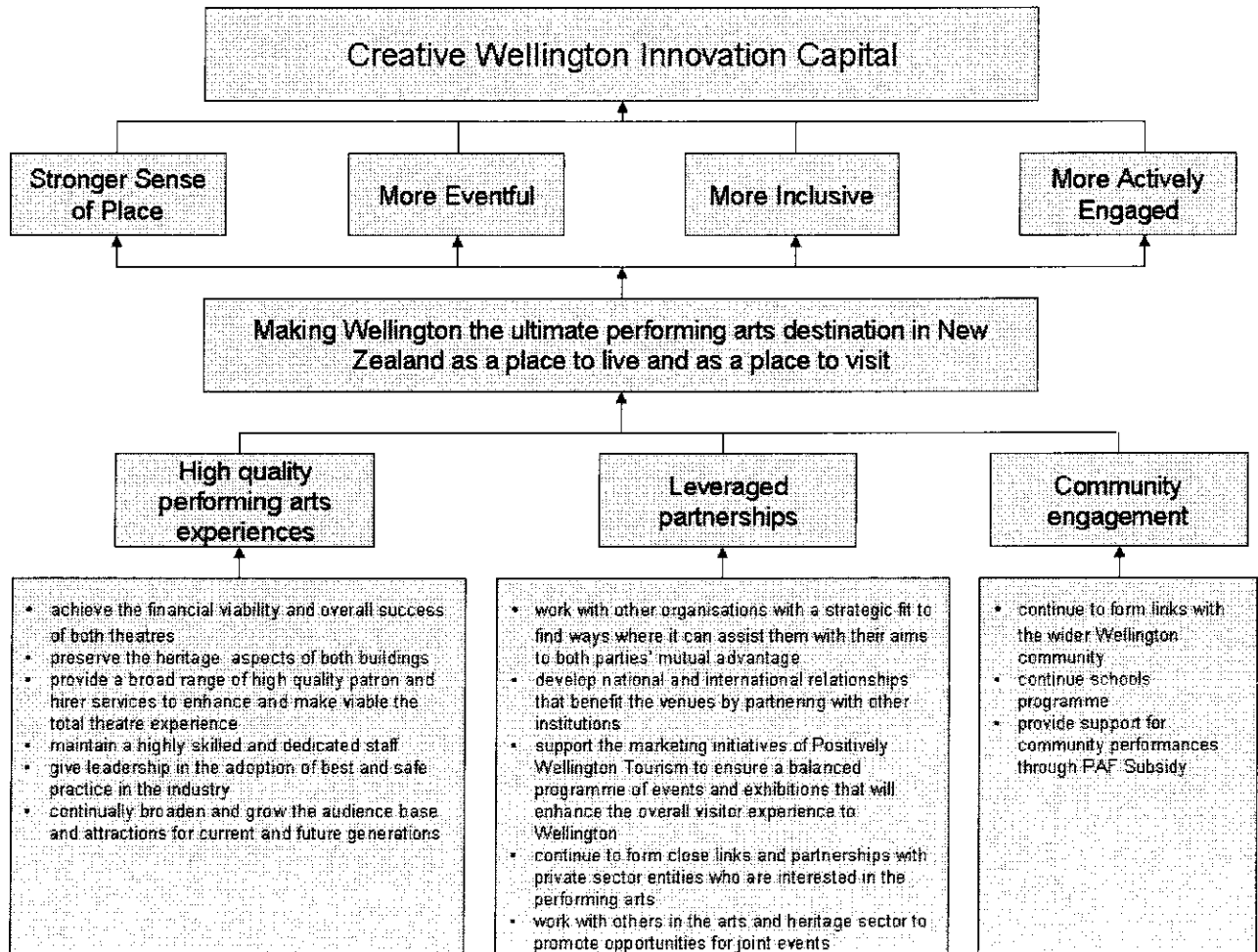
The Trust will provide quarterly reports in the mutually agreed format to the Council Controlled Organisation Performance Sub-Committee on the agreed dates.

The Trust's Annual report and audited accounts will be supplied to the Wellington City Council as per the Local Government Act 2002 S67.

The Trust shall provide an Annual Business Plan and any major revisions to these plans by the end of May.

The Trust shall advise the Council, as far as it is able, of any events or intentions planned which are likely to arouse significant public interest upon which the Council may wish to respond quickly.

The Settlor and the Board of Trustees may agree to report on other matters that can arise from time to time.



### **3.4 Organisational Health and Capability**

The Trust has a small and dedicated team. It is vital to organisations – especially in the service oriented industry - to have the right people. The Trust will keep on working to get and keep key staff.

### **3.5 Risk Management**

#### ***Own Show Risk***

In an effort to minimize dark days, the Trust pro-actively searches for shows available for outright purchase or forms of joint venture. This involves significant liquidity risk which is managed by the Risk/JV Sub-Committee under delegated authority. The Trust has in place a set of controls which ensure that its financial viability from these activities is never placed under threat.

#### ***Asset Risk***

In its history the Trust only occasionally managed to provide fully for depreciation. While to date the Trust has been able to provide sufficient for all maintenance requirements at some point in time, where replacement of major assets are concerned, the Trust will have to look to its settlor or its bank (supported by the settlor) to fund. This question does not arise at the moment and is unlikely to arise in the foreseeable future.

See Appendix A for further details on how the Trust manages its risks.

### **3.6 Council Relationship Principles**

The Trust will provide quarterly reports in the mutually agreed format to the Council's Council Controlled Organisation Performance Sub-Committee on the agreed dates and present its Business Plan and Statement of Intent on mutually agreed dates.

The Trust's Annual Report and audited accounts will be supplied to the Wellington City Council within 60 days of the end of the financial year.

The principles governing the relationship with Wellington City Council as its settlor will include:

- Operating on a 'no surprises' basis
- Early advice to the Wellington City Council in the event of any major situation that is potentially contentious in nature
- Disclosing any significant transactions that are planned within the Trust Business Plan.

As part of the Trust's relationship with the Wellington City Council, the Chair and the CEO of the Trust meet regularly with the Mayor and CEO of the Council, and as required, with the Council's Council Controlled Organisation Performance Sub-Committee.

The CEO regularly meets with the Director Council Controlled Organisations and the Trust Assistant meets monthly with the Portfolio Manager Council Controlled Organisations.

## **4 Measuring performance**

### **4.1 Key Performance Indicators**

Each entity has KPI's that relate directly to the activities of the entity. The KPI's, targets for the 2007/2008 fiscal year, and the source of monitoring and confirmation, are described in Appendix B.

## 5 Financial Information

### 5.1 Trust Accounting Policies

#### *Reporting Entity*

St James Theatre Charitable Trust is a reporting entity for the purposes of the Financial Reporting Act 1993.

#### *Measurement Base*

The general accounting policies recognised as appropriate for the measurement of and reporting of results, cash flows and financial position under the historical cost method have been followed in the preparation of financial statements.

#### *Particular Accounting Policies*

The particular accounting policies that materially affect the measurement of results, cash flows, and financial position have been applied as follows:

#### *Accounts Receivable*

Account receivables are stated at expected realisable value.

#### *Fixed Assets*

Fixed assets, except the Opera House, which is stated at valuation, are stated at historical cost, less accumulated depreciation.

SJT Land	\$ 2,090,864
SJT Building	\$ 11,128,996
SJT Building fit out	\$ 3,070,580
OH Land	\$ 1,000,000
OH Building	\$ 408,357
OH Building fit out	\$ 1,503,013

Depreciation is provided for on a Straight

Line basis at rates varied according to the estimated useful life of the assets. These are:

Buildings	1 – 2%
Building outfit	4 – 33%
Computers	30 – 36%
Furniture and fittings	7.8 – 18.6%
Kitchen and Bar Equipment	10 – 48%
Plant & Equipment	66 – 48%
Uniforms	48%

#### *Investments*

Investments are stated as cost.

The Trust adopts the liability method of tax-effect accounting whereby the Provision for Tax as shown in the Statement of Financial Performance is based on the surplus/(deficit) before tax, adjusted for any permanent differences.

#### *Goods & Services Tax*

The financial statements are prepared on a tax exclusive basis.

#### *Statement of Cash Flows*

The following are the definitions of terms used in the Statement of Cash Flows:

- Cash means cash on deposit with banks and institutions, net of bank overdrafts.
- Investing activities comprise the purchase and sale of fixed assets and investments.
- Financing activities comprise the change in equity and debt capital structure of the Trust.

d. Operating activities include all transactions and other events that are not investing or financing activities.

*International Reporting Standards*

The Trust adopted the International Financial Reporting Standards (IFRS) from balance date 30 June 2007. This is in line with the Council's timeframe.

**5.2 Ratio of Total Assets : Liabilities**

Total assets comprise principally the land and buildings from which the Theatres operate. These are stated at cost, except the Opera House, which is at valuation, with an allowance for depreciation. Other assets principally include cash at bank or on deposit, accounts receivable and investments. These are all stated at cost or expected realisable value.

Trust funds are the retained earnings plus current earnings plus the Settlor's interest.

The ratios for the three years given in the Business Plan are as follows:

2007	2008	2009
10.5 : 1	10.5 : 1	10.5 : 1

**5.3 Activities for which compensation from Council is sought**

The St James Theatre Charitable Trust has an excellent relationship with its insurance broker. However, depending on how the costs and availability of local insurance develop in the light of international incidents over the past years, the Trust may from time to time seek some assistance with insurance either by way of financial or mutual support.

The St James Theatre Charitable Trust applied for assistance for the replacement of the Opera House Flying system through the Council New Initiatives grants process and was granted \$1.1m over 10 years from 2004 in order to assist with repaying the commercial bank loan required to fund this project.

It is not anticipated that the Trust will be looking for any financial support form the Council during the financial year 2007/2008.

**5.4 Contingent liabilities**

The St James Theatre Charitable Trust currently has no contingent liabilities.

**5.5 Distribution to Settlor**


The St James Theatre Charitable Trust does not make any distributions to the Settlor.

**5.6 Board's estimate of the book value of the Trust**

The current book value of the land and buildings at cost is \$ 20,308,000 (31/01/2007)

Signed

Chris Parkin  
Chair



8/5/7

## Appendix A

Identified Risks	Analysis of Risk			Mitigating Controls
	Impact	Likelihood	Residual	
<b>Strategic</b>				
1. Threat of loss of Wellington's status as Creative Wellington – Innovation Capital (arts/culture) from Auckland City Council drive to establish The Edge as the Performing Arts Centre of New Zealand	H	H	H	Working with The Edge on joint venture projects to ensure shows come to Wellington as well as Auckland. Increased use of Trust risk policy to attract major shows to Wellington. Working with Wellington City Council – Recreation & Events for support for major shows in Wellington.
2. Lack of working capital and over-reliance on debt funding for business development	H	M	M	WCC's ownership interest is maintained with regular reporting of results via the quarterly reporting mechanism. Trust cash position is sound. Flexible credit facility with the ANZ is in place.
3. Pressure by the Wellington City Council as to the performance criteria / returns from the Trust	L	L	L	The council is informed as to the forecast and actual performance indicators through the council appointed Trustee and the reporting requirements of the Council's Council Controlled Organisation Performance Sub-Committee.
4. Increased liquidity risk within the Trust and corresponding pressure on the business	L	M	L	Monthly reporting of performance indicators against forecasts to the Trustees. Flexible credit facility with ANZ in place for current reporting year.
5. Loss of a Trustee	L	M	L	Council reviews Trustees performance. One new Trustee and new Chairperson recently appointed & one Trustee recently retired. Council has a consultative process to match Trustees to perceived skills required by the Trust.
6. Loss of access to / damage to the St James Theatre and / or the Opera House	H	L	L	Insurance cover obtained in respect of Material Damage to both buildings and their contents and for Business Interruption.
7. Increased Insurance Premiums	H	H	H	Trust will when necessary restructure existing covers to match the Trusts ability to pay and take more self insurance e.g. indemnity only for all perils including earthquake.
8. Conflict between requirement of WCC for break even results and pressure for community use	M	M	M	Use of two level hiring option, community access policy and PAF subsidy for community groups.

Identified Risks	Analysis of Risk		Mitigating Controls
	Impact	Likelihood	
<b>Operational</b>			
1. Inability to attract hirers and producers and therefore performances to the theatre	H	M	M
			<p>Theatre industry knowledge and relationships held within the industry by the CEO, Marketing Manager and PA to CEO.</p> <p>Building relationships with existing and new promoters in New Zealand, Australia, Asia Pacific and Europe</p> <p>Presentation of own product to fill gaps between regular hirers</p> <p>Member of formal and informal venues consortium working together to present own product</p> <p>Three annual seasons from each of The Royal New Zealand Ballet, and two annual seasons from NBR NZ Opera, and the biannual NZ Festival are known attractions.</p> <p>Reliance on performance revenue is reduced by F&amp;B revenue stream from the cafés at both venues, plus non-performance related events i.e.: not dependent performances.</p> <p>Close management of bottom line and the regular assessment of performance against budget.</p>
2. Cost of maintaining heritage, single use buildings	H	M	L
			<p>Extensive renovation of Opera House over past five years including upgrade of flying system. Sprinkler system and smoke extract system, plus ongoing refurbishment plan, subject to funding.</p> <p>In past year at St James Theatre Pit Lift has been installed. Now ongoing repair and maintenance including façade that now is out of warranty</p>
3. Loss of key management staff	H	H	L
			<p>Knowledge management has been in place for four years. Formal performance reviews are undertaken on a regular basis. Succession planning is undertaken.</p>
4. Challenging labor market in all areas particularly in sourcing experienced Food& Beverage and Technical Management	H	H	M
			<p>Knowledge management of all roles. All operations roles have been redesigned to cover all areas. Internal Trainee Management position established</p>

<b>Operational - Continued</b>				
5. Poor quality product within the theatre	M	L	L	Theatre industry knowledge and relationships held within the industry by the CEO and Marketing Manager. Working with the hirers and producers to achieve broad range of good quality viable theatre in a wide variety of genre. Comprehensive hireage contract which allows for CEO involvement and input in addressing quality issues.
6. Loss of the core users of the theatre - the Royal New Zealand Ballet, NBR New Zealand Opera and the NZ International Festival of the Arts.	H	M	L	Establishment of strong relationships with key personnel within each organisation. Development of relationships with broad range of commercial producers and artistic companies to reduce reliance on core users. The identification and awareness of alternative uses for Ballet or Opera's premises. Future stability of core users may be dependent on outcomes of WCC's Annual Plan and potential changes to Arts/Cultural Funding of core users.
7. Disruption to a performance or performances due to technical failure	H	L	L	Employment of high caliber professional industry staff. Regular inspection and testing of plant and equipment by service contracts from independent qualified companies. Material damage and business interruption insurance policies are in place.
8. Insufficient business to making food & beverage or theatre operation unviable	H	L	L	Revenue provided by two key streams thereby supporting each other Ability to utilise hospitality areas for other commercial events. Business development initiatives strong, proven and ongoing in all areas.
9. Own show/joint venture show	M	M	M	Risk policy Joint ventures with other venues Only bring well-established shows Limits to financial risk via Risk Committee

### 3.1. Key Performance Indicators St James Theatre Charitable Trust 2007/2008

#### Appendix B

Dimension	Measure	Effect	Frequency of measure	Target 2006/7	Target 2007/8		Change	Target 2007/8	Change
				Agreed	Agreed last year	Proposed by CCO this year			
Mega / Macro / Micro		Control / influence						Proposed by WCC this year	
Mega	% of Wellingtonians and New Zealanders who say that Wellington is the Arts Capital of New Zealand	I	Annual						
	% of Wellingtonians and New Zealanders who agree that Wellington has a culturally rich and diverse scene	I	Annual						
Macro	<i>Non-financial</i>								
	Number of Performances								
	- Westpac St James	C	Quarterly	121	-		-	-	-
	- Opera House	C	Quarterly	150*	-		-	-	-
	* NB Closed from 18 December 06 – 21 January 07 and possibly in April 07 for installation Sprinkler System								
	Total number of days Utilisation								
	- Westpac St James	C	Quarterly	177	-		-	-	-
	- Opera House	C	Quarterly	151*	-		-	-	-
	*NB Closed from 18 December 06 – 21 January 07 and possibly in April 07 for installation Sprinkler System								
	Average Utilisation of Seats - %	C	Annual	55%	-		-	-	-
	Average Utilisation of Seats 'Own shows' - %	C	Quarterly						
	<i>Financial</i>								

Dimension	Measure	Effect	Frequency of measure	Target 2006/7	Target 2007/8		Change	Target 2007/8	Change
					Agreed last year	Proposed by CCO this year			
Mega / Macro / Micro		Control / influence		Agreed	Agreed last year	Proposed by CCO this year		Proposed by WCC this year	
Micro	Non-financial								
	Financial								
	Total Assets: Liabilities			13:1		13:1			
	Current Ratio			2:1		2:1			

## Definitions

MEGA Measure	Definition	Data Source	Issue
% of Wellingtonians and New Zealanders who say that Wellington is the Arts Capital of New Zealand	From the WCC survey measure what percentage of Wellingtonians and New Zealanders who say that Wellington is the Arts Capital of New Zealand	Wellington City Council Survey	
% of Wellingtonians and New Zealanders who agree that Wellington has a culturally rich and diverse scene	From the WCC survey measure what percentage of Wellingtonians and New Zealanders who agree that Wellington has a culturally rich and diverse scene.	Wellington City Council Survey	

<b>MACRO</b>			
<i>Non-financial</i>			
Number of Performances			
- Westpac St James			
- Opera House	Number of performances at the St James		
Total number of days Utilisation	Number of performances at the Opera House		
- Westpac St James	Total number days the Auditoria is used for any purposes including performance, bump in days <sup>1</sup> , dark days <sup>2</sup> and performances related events.		
- Opera House	Total number days the Auditoria is used for any purposes including performance, bump in days, dark days and performances related events.		
Average Utilisation of Seats - %	The average number of seats sold as a percentage of total available for both the St James and the Opera House over the year		
Average Utilisation of Seats 'Own Shows' - %	The average number of seats sold as a percentage of total available for 'Own Shows' for both the St James and the Opera House over the quarter, if any		
<i>Financial</i>			
<b>MICRO</b>			
<i>Non-financial</i>			
<i>Financial</i>			
Total Assets: Liabilities	Total Assets / Total Liabilities		
Current Ratio	Current Assets / Current Liabilities		

<sup>1</sup> Bump in days are required to allow for preparation prior to a performance

<sup>2</sup> Dark days fall in the middle of a performance run, sometimes used for rest days – the hirer will cover the cost of this day