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**REPORT 4**

**DRAFT 2014/15 STATEMENTS OF INTENT FOR COUNCIL  
CONTROLLED ORGANISATIONS**

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**1. Purpose of report**

To provide the Subcommittee with an analysis of the draft 2014/15 Statements of Intent received from Council Controlled Organisations (CCOs) and affiliated entities, in compliance with the Local Government Act 2002 and Council reporting requirements.

**2. Executive summary**

Officers have assessed the draft Statements of Intent for 2014/15 for the Basin Reserve Trust, Positively Wellington Tourism and the Wellington Museums Trust. A number of changes are recommended to the Committee. Subject to its approval of these changes, the Committee's views will be communicated to the entities in time for the final Statements of Intent to be presented to this Committee at its meeting on 10 June 2014.

**3. Recommendations**

Officers recommend that the Economic Growth and Arts Committee:

1. *Receive the information.*
2. *Agree that the Chair will write to each organisation requesting changes for the final 2014/15 Statement of Intent as detailed below:*

*Basin Reserve Trust*

- a) *Make a stronger connection between the work programme outlined in the FMP and how this has been accounted for in the draft budget.*

*Positively Wellington Tourism*

- a) *Examine the apparent decrease in Wellington's market share of convention business to better understand if there has been a decline and if so what actions are required to address any decline.*

*Wellington Museums Trust*

- a) *Clarification regarding repeat visitation forecasts for City Gallery.*
- b) *A new KPI detailing a fully-costed visitor subsidy.*

3. *Note that the draft Statements of Intent for Positively Wellington Venues and the Wellington Regional Stadium Trust were presented to this Committee at its meeting on 18 March 2014.*

4. *Note that the final Statements of Intent will be presented to this Committee at its meeting on 10 June 2014.*

#### **4. Background**

Under the Local Government Act 2002, CCOs are required to submit a draft Statement of Intent (SOI) to the Council by 1 March in the previous financial year. As a matter of good practice, the Council precedes this with a Letter of Expectation to CCOs, which outlines the Council's expectations in respect of the SOIs it will receive.

The draft SOI process provides both the Council and CCOs with an opportunity to fine-tune respective expectations ahead of submitting a final SOI for Council approval in June.

Draft Statements of Intent have been received from the following organisations:

- Basin Reserve Trust
- Positively Wellington Tourism
- Positively Wellington Venues
- Wellington Museums Trust
- Wellington Regional Stadium Trust

Wellington Regional Stadium Trust is not a CCO, as clarified under a Court of Appeal ruling. The Trust has undertaken to provide an SOI because of the materiality of the Council's financial commitment to the Trust and the Trust's contribution to Council outcomes.

This report comments on the draft Statements of Intent for Basin Reserve Trust, Positively Wellington Tourism and Wellington Museums Trust. The draft Statements of Intent for Positively Wellington Venues and Wellington Regional Stadium Trust were reported to this Committee at its meeting on 18 March 2014.

#### **5. Discussion**

##### **5.1 Basin Reserve Trust**

The Basin Reserve Trust (BRT or the Trust) has delivered a draft Statement of Intent that broadly outlines its business objectives and strategies for 2014/15. The SOI addresses the key points raised in the Letter of Expectation, and is in line with the requirements of the LGA.

The Letter of Expectation (LOE) asked the Trust to outline the Trust's role in the Cricket World Cup 2015, including picking up domestic cricket matches impacted by CWC2015 events. The draft SOI notes that the Basin will be the main international training venue for Wellington during CWC2015. Not only will this result in moving domestic cricket matches to either Q2 or to other grounds, but the event will put pressure on ground keeping staff who will be splitting their duties between the requirements of both the Basin and the Stadium. The Trust is working with CWC2015 staff to ensure these issues are managed carefully.

Other non-cricket events planned for 2014/15 include using the Basin Reserve for activities that are part of the Council's World War I centennial celebrations.

With respect to arranging a multi-year deal with NZ Cricket for test matches at the Basin, the draft SOI notes ongoing discussions with NZ Cricket that have resulted in an informal agreement on the use of the ground for at least one test match per inbound tour over the next two seasons. However, there is also a caution that the recent changes at the ICC governance level could have an impact on future touring schedules.

In terms of the capital maintenance programme, the SOI briefly notes that it will be using the recently completed Facilities Management Plan (FMP) to deliver a programme of capital maintenance work in line with the allocation of renewals funding. The FMP work will feed in to the development of a Master Plan document on which the Trust is already engaged. The SOI states that decisions around the impact of any ground closure as a result of flyover mitigation projects (a new building on the Basin) are subject to the outcome of the Board of Inquiry that is expected to deliver its decision on 1 June 2014. Officers would like the SOI to make a stronger connection between the work programme outlined in the FMP and how this has been accounted for in the draft budget.

The development of a Master Plan document for the Basin Reserve is briefly discussed, noting that preparation has begun and the Trust will actively contribute to the process. Officers will continue to work with the Trust to provide this long-term vision and plan for the Basin.

The draft SOI provides a set of phased KPIs for 2014/15 and a suite of financial documents for 2014/15 through to 2016/17. These figures reflect the impact of CWC2015 practice days on the rescheduling of domestic cricket matches, and the large crowd numbers anticipated for the ANZAC centenary celebrations. The draft SOI notes that the Trust is continuing to work towards securing a new naming rights sponsor for the Basin Reserve.

### Summary Recommendations

The final 2014/15 SOI should:

- Make a stronger connection between the work programme outlined in the FMP and how this has been accounted for in the draft budget.

### **5.2 Positively Wellington Tourism**

Positively Wellington Tourism (PWT or the Trust) has presented its draft Statement of Intent for 2014/15. In general, the draft SOI follows last year's format and presents a high degree of operational explanation regarding how the trust intends to meet its targets.

PWT notes the importance of the downtown levy ratepayers in supporting the Trust and its achievements. It notes that visitors to Wellington bring a vibrancy and vitality to the city for its residents and its visitors, and the value of the visitor sector to Wellington today is worth \$1.4 billion (last year \$1.4 billion also). In relation to its operating environment, the Trust comments that; the United Nations World Tourism Organisation forecasts suggest that the on-going growth in international tourism will mean that by 2020 1.6 billion international visits will be made by travellers across the globe; the strongest region for growth is Asia Pacific; the strength of the NZ dollar will continue to impact on visitor spend; and Airline seat capacity to NZ is generally flat.

The pattern of visitation over the past 5 years has seen decreasing arrival numbers from traditionally strong markets (like the UK) being replaced by growing arrival numbers from Australia and China.

Australian and Chinese visitors whilst growing quickly in number have a different impact on the NZ economy because they stay for a shorter period of time than visitors from traditionally strong markets like the United Kingdom.

The strength of the NZD continues to impact the spending of all visitors to New Zealand with visitors generally continuing to spend the same in value terms in their currency of origin.

With respect to the Wellington market the Trust observes some key trends:

- Growth in Australian visitors which is expected to continue.
- A continued decline in visitors from Europe and particularly the UK, but not at the same rate as that for all New Zealand.
- PWT's total number of Chinese visitors is still small but over recent months the trust has seen a distinct upturn in that number and a reflection of this increase in spending data.
- Since the summer of 2008/09 the number of visitors arriving in Wellington by cruise ship has increased from 74,000 to approximately 150,000. The provisional cruise schedule for Wellington is forecasting 153,000 cruise passengers will arrive over the 2014/15 season. Indications suggest that this growth will continue and climb substantially again from the summer of 2016/17.
- The domestic visitor market continues to be strong. A strong events programme in the city and at Te Papa will help further sustain domestic visitation over the coming year.
- The total number of convention days in New Zealand has changed little in the last few years and Wellington's market share has also been stable. Wellington has been able to make the most of being an attractive destination to retain market share but new facilities in Rotorua and Hamilton provide a clear view of how market share can be gained with purpose built facilities and the risk (to Wellington) if the plans for new convention centres in Auckland, Christchurch and Queenstown progress. In response to the changes in its operating environment, over the last five years the marketing approach taken by PWT has evolved to acknowledge the changes in international visitor markets, an increased level of media

highlighting of Wellington as a city destination and a shift in priority in product development from ‘commissionable product’ to whole city marketing. The Trust has also increased the value of event marketing and invested in continually raising the bar in digital marketing whilst leveraging the writing of domestic and international journalists and writers.

Officers are generally comfortable with the Trust’s suggested KPIs.

The table below identifies some important KPIs to which the Trust has proposed changes or has introduced (as new) to replace others.

KPIs	2013/14	Change	2014/15
Australian visitor arrivals to WIAL	+5%	-2%	+3%
C&I market share as % of national market	20%	-3%	17%
Leads & referrals from convention partners	+2%	0%	+2%
Retail & hospitality spending in Wellington	new	new	+0%
Increase spend of international visitors	new	new	+2%
Sales of Wellington i-SITE product	+2.5%	-0.5%	+2%

In terms of Australian visitor arrivals to Wellington International Airport the growth in Australian visitors is expected to increase from approximately 110,000 in 2010 (actual) to 159,000 in 2017 (estimated). The return on the targeted investment in growing Australian visitation is discussed further below under the heading Letter of Expectations, item 1.

The KPI’s note a forecast 3% reduction in market share of the C & I market. PWT note that the data sources in this area can be relatively poor and subject to change. Officers recommend that the outlook for the C & I market is addressed in greater detail in the final SOI and actions outlined to address any expected decline.

PWT are introducing a new KPI which measures spending on Wellington retail and hospitality and has advised that in terms of monitoring the proposed new KPI the figures will contain historical information to help give the perspective to this performance measure. This new KPI will over time give a better gauge on activity levels in the downtown area.

### **Letter of Expectations**

PWT has addressed the specific requests from the Letter of Expectation. The requests and trust’s responses are outlined below.

1. *Outline the anticipated value for the city from the third year of the Australian marketing campaign.*

PWT provide a good summary of the Australian marketing initiative within the SOI and from the KPI targets it is observed that they are planning for a 3% increase on the expected 2013/14 visitation levels.

This growth target is down from the 2013/14 growth target of 5%. As the programme matures and the year on year growth in Australian visitation reduces, the economic benefit from the direct \$1.0m per annum investment in the programme needs to be considered. PWT estimate that the incremental direct spend from the visitor growth will be \$5m and contribute to the overall spend from Australian visitation to Wellington estimated to currently be \$164m. The growth in Australian visitation to Wellington has been important for the Wellington economy.

*2. Outline plans to address declining numbers in downtown weekend visitation.*

The Trust has outlined its plans with respect to downtown weekend visitation as follows:

- Continue with the highly successful KNOW Wellington digital marketing campaign and in doing so work with individual retail groups and retail clusters to heighten the success of the strategy for the retail sector.
- Work with the retail sector and Council to ensure that there is a coordinated effort to promote Wellington CBD as an attractive Christmas shopping destination in 2014.
- Continue to highlight retail and hospitality throughout the delivery of its New Zealand and Australia marketing activities. This activity will include working with key event organisers to ensure that visitors to Wellington who are attending an event are motivated to make the most of their time in the city spending time and money in other parts of the economy.
- Consider creating additional opportunities for retailers to promote their business to visitors in the i-SITE.

The Trust has proposed that its 2014/15 KPI is to maintain the downtown weekend visitation (this was also the case for the Trust's 2013/14 KPI).

*3. Outline any potential step-changes required in PWT's strategic focus, work programme and/or KPI focus, to assist the Council in better achieving its goals as outlined in the Economic Development Strategy.*

PWT has identified the potential changes in the delivery models for economic development activities in Wellington as a potential catalyst for delivering better economic outcomes.

*4. Discuss the Destination Wellington target outcomes, work programme and relevant KPIs.*

Subject to funding, in 2014/15 the Trust intends to further develop the digital platform to tell the Wellington Story to targeted markets using appropriate media that makes the best use of the funding available. The

Trust also intends to assist Grow Wellington and WCC in providing tools for aftercare and retention of targeted businesses.

#### *5. Living wage.*

The Trust confirms that it will undertake an assessment of the impact of the living wage on the organisation and how it would be implemented.

### **Summary Recommendations**

The final 2014/15 SOI should:

- Examine the apparent decrease in Wellington's market share of convention business to better understand if there has been a decline and if so what actions are required to address any decline.

### **5.3 Wellington Museums Trust**

The draft Statement Of Intent (SOI) for Wellington Museums Trust (Trust) is a clearly presented account of the Trust's intentions for the 2014/15 year and the following two financial years, and shows, at a high level, how the Trust is aligning itself with the Council's strategies.

The Trust has responded to the specific expectations provided in Council's Letter of Expectation and these are commented on below. In particular, the draft SOI outlines four strategic priorities for 2014/15 and observes that each will require funding and/or operational changes.

#### *1. Capital E's positioning in the long term*

In the first instance a medium-term plan for the provision for children and young people is in the process of being developed, followed by work towards a long-term approach to the same provision. The resources to implement any changes to current strategy and provision will be fully scoped and understood before implementation plans are prepared.

#### *2. Museum of Wellington City and Sea redevelopment*

Phase one of the redevelopment of the Museum (undergoing research, testing concepts, getting consents, contracting consultants, and securing funding) commenced in 2013/14 and is targeted for completion by July 2015 subject to funding.

2014/15 Targets:

- Phase One of the development is completed (subject to funding);
  - Substantive Council capital funding will be sought through Long-term Plan and other channels for the Phase Two development; and
  - Fundraising strategy for personal, community and business giving implemented with the funding target achieved for Phase One and on track for Phase Two development.
- #### *3. Long-term financial sustainability of the Carter Observatory business model, with a particular emphasis on identifying any potential financial implications for the Council.*

The draft SOI targets three priorities for 2014/15 with regard to the Carter Observatory business model and its sustainability. First, a long-term approach for Carter's management will be agreed with Council. Following this, a future capital and maintenance expenditure programme will be confirmed with Council. The intention is that a break-even budget will be achieved.

*4. Discuss the potential for the Trust to reduce the Council subsidy per visitor over time.*

The potential for the Trust to reduce the Council subsidy per visitor over time is to some extent implied in its strategic priorities that aim to improve the facilities and increase visitor experiences and numbers.

*5. Living wage*

The Trust confirms that it will undertake an assessment of the impact of the living wage on the organisation and how it would be implemented.

*6. City Gallery entrance redevelopment*

The draft SOI notes that the Trust will progress plans to redevelop the front entrance and foyer area to promote the City Gallery's presence within the Civic Square, improve visitor access, create a more functional and welcoming reception area and facilitate an expanded retail proposition. In 2013/14 a broad scope of the project was undertaken. In 2014/15 the Trust proposes to use its concept design as a basis for a feasibility study to assess visitor experience and commercial benefits and then fully scope the project and implement a funding strategy. Funding from Council has not been sought or committed to this project.

Officers are generally comfortable with the Trust's suggested KPIs, and note the following highlights:

- 1) The table below shows that visitor numbers for 2014/15 are forecast to decrease by 65,898 (10.2%) to 583,123 from the actual visitor numbers to 30 June 2013 of 649,021. However, these are broadly consistent with the 2013/14 SOI. Material movements in forecast visitation for the Trust are impacted by:
  - The (proposed) seismic strengthening of the Town Hall affecting access to City Gallery;
  - The temporary closure of Museum of Wellington City & Sea as the construction phase of its development begins (forecast to reduce annual visitation by approximately 8,000);
  - Lower forecast visitation at the Cable Car Museum. Annual visitation in FYE 2011, 2012 and 2013 has averaged 237,500 whereas forecast visitation is 221,000 flat for the next 3 years, reflecting more closely the current visitation patterns; and
  - Lower forecast visitation at Capital E that is largely the result of the new Capital E facilities at Queens Wharf and Hannah Playhouse not being able to accommodate the number of visitors as that of its previous site.



	30-Jun-09 Actual	30-Jun-10 Actual	30-Jun-11 Actual	30-Jun-12 Actual	30-Jun-13 Actual	30-Jun-14 SOI 2013	30-Jun-15 SOI 2014	30-Jun-16 SOI 2014	30-Jun-17 SOI 2014
Cable Car Museum (Actual)	247,422	253,608	238,310	238,345	235,866	220,998	220,998	220,998	220,998
MOW City & Sea (Actual)	88,885	99,663	95,161	102,894	98,605	94,000	90,000	104,000	104,000
Colonial Cottage (Actual)	2,320	2,788	2,535	2,736	1,825	2,075	2,125	2,200	2,275
Cricket Museum (Actual)	2,156	2,909	2,821	2,290	1,895				
City Gallery (Actual)	66,952	174,995	131,700	115,363	161,681	143,000	140,000	145,000	150,000
Capital E (Actual)	133,371	95,734	136,693	95,009	100,329	52,000	80,000	62,000	90,000
Carter Observatory (Actual)			46,124	50,976	48,820	50,000	50,000	50,000	50,000
Total Visitors (Actual)	538,950	629,697	653,344	607,613	649,021				
Total Visitors (SOI Targets)	500,000	588,400	683,668	612,550	620,000	562,073	583,123	584,198	617,273

- 2) The forecast average subsidy per visit in both 2014/15 and 2015/16 is \$13.99. This is slightly higher than the actual subsidy in 2012/13 of \$13.40 per visitor and nearer the 2011/12 level of \$13.81 per visitor. The higher figure is a function of the increase in the Trust's operating grant, reduced capacity at Capital E, projected reduced visitor numbers at Cable Car Museum and the forecast temporary closure of Wellington Museum of City & Sea for stage one of its redevelopment as outlined above.

Officers recommend that the Trust include a KPI to reflect a fully costed per visitor subsidy that includes Council costs.

- 3) Overall, the Trust's repeat visitation KPIs align reasonably closely to its actual performance with the exception of City Gallery, which enjoys a high level of repeat visitation. Repeat visitation at City Gallery is forecast at a steady 25% in each of the next 3 years whereas in each of the last 3 years repeat visitation at City Gallery has been 69% in 2010/11, 72% in 2011/12 and 84% in 2012/13. Officers recommend that there is further explanation of this forecast in the final SOI, or that the KPI is adjusted.

- 4) In general, the financial forecasts included in the draft SOI for 2014/15 appear reasonable and are presented based on funding totalling \$8,172,284 in 2014/15 which includes \$312,000 for Carter Observatory.

In 2014/15 the draft SOI forecasts that total revenue will decline by \$269k (2.3%) from 2012/13 total revenue. Total expenses are forecast to decline by \$206k (1.8%) from 2012/13. The Trust forecasts a net deficit for the 2014/15 year of \$56k after providing for depreciation of \$377k. Operating cash flow to 30 June 2015 is budgeted to be \$446k and forecast to fund \$450k of the Trust's spending on its fixed assets.

## Summary of Recommendations

The final 2014/15 SOI should include:

- 1) Clarification regarding repeat visitation forecasts for City Gallery.
- 2) A new KPI detailing a fully-costed visitor subsidy.

#### **5.4 Consultation and Engagement**

The organisations in this report consult with the Council on a wide range of matters as part of our “no surprises” relationship.

#### **5.5 Financial and Long Term Plan considerations**

The CCOs work within the context of the Council’s overall Long Term Plan and Annual Plan framework.

#### **5.6 Climate change impacts and considerations**

The CCOs work with the Council and other organisations in considering the environmental sustainability of their operations, including with the Council’s Our Living City programme.

### **6. Conclusion**

Officers have assessed the draft Statements of Intent for 2014/15 for the Basin Reserve Trust, Positively Wellington Tourism and the Wellington Museums Trust. A number of changes are recommended to the Committee. Subject to its approval of these changes, the Committee’s views will be communicated to the entities in time for the final Statements of Intent to be presented to this Committee at its meeting on 10 June 2014.

Contact Officers: *Richard Hardie, Portfolio Manager, CCOs; Warwick Hayes, Portfolio Manager, CCOs and Maree Henwood, Portfolio Manager, CCOs*

## SUPPORTING INFORMATION

### 1) Strategic fit / Strategic outcome

*These entities and projects support the achievement of a range of outcomes across most strategic areas. CCOs are required to state in their Statements of Intent how they contribute to Council's strategic goals.*

### 2) LTP/Annual Plan reference and long term financial impact

*Please refer to the individual comments on each entity.*

### 3) Treaty of Waitangi considerations

*This report raises no new treaty considerations. Where appropriate the entities do consult with the Council's Treaty Relations unit, and with the Tenth's Trust, as part of normal operations.*

### 4) Decision-making

*This is not a significant decision.*

### 5) Consultation

#### a) General consultation

*Officers outside the CCO team are consulted as relevant and a copy of each entity report will be circulated to the individual entity. WCC feedback on Stadium Trust is discussed with Regional Council.*

#### b) Consultation with Maori

*See section 3 above.*

### 6) Legal implications

*The Council's lawyers have been consulted during the year as part of normal operations. There are no new legal issues raised in this report.*

*A Statement of Intent is a legal requirement for a CCO under the Local Government Act 2002.*

### 7) Consistency with existing policy

*This report is consistent with existing WCC policy.*