

## FINAL STATEMENTS OF INTENT FOR COUNCIL CONTROLLED ORGANISATIONS FOR THE YEAR 2014/15

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### 1. Purpose of report

To provide the committee with the final 2014/15 Statements of Intent received from Council Controlled Organisations (CCOs), in compliance with Local Government Act 2002 and Council reporting requirements.

### 2. Recommendations

It is recommended that the Committee:

1. *Receive the information*
2. *Note that following the Committee meeting on 20 March 2014 the Chair wrote to the Council Controlled Organisations requesting changes to be made in their Statements of Intent and that these changes have been included in the final Statements of Intent*
3. *Agree to recommend that the Council approve the following 2014/15 Statements of Intent as outlined below:*
  - a) *Capacity Infrastructure Services Ltd*
  - b) *Wellington Zoo Trust*
  - c) *Zealandia*
4. *Note any other issues for the Chair to raise with the Council in regard to this report.*
5. *Note any issues for the Chair to raise with the entities covered by this report.*

### 3. Background

The requirements for Statements of Intent (SOIs) are prescribed in the Local Government Act 2002.

Under the Local Government Act 2002, CCOs are required to submit a draft SOI to the Council by 1 March in the previous financial year. As a matter of good practice, the Council preceded this with a Letter of Expectation, sent to all CCOs in December, which outlined the Council's expectations in respect of the SOIs to be received. This process provided both the Council and the CCOs with an

opportunity to fine-tune respective expectations ahead of submitting the final SOI for Council approval prior to the beginning of the 2014/15 financial year.

Officers received the draft SOIs and tabled these at the Environment Committee (the Committee) meeting on 20 March. The report included issues that had been identified in each SOI that were expected to be addressed in the final SOI. The Chair of the Committee then wrote to each CCO, highlighting these issues and requesting that they be addressed in the final SOI, to be submitted to officers by 10 May.

These final SOIs are included in this report for referral to the Council for its approval. As the key accountability document between the Council and the Board of each entity, the approval or support of the SOI is important in confirming the strategic direction and accountability to Council of each organisation.

## **4. Entities Covered by this Report**

A final Statement of Intent has been received by the following CCOs:

- Capacity Infrastructure Services Ltd
- Wellington Zoo Trust

### **4.1 Zealandia**

Zealandia is not a CCO, but is included in this report because of the materiality of the Council's financial commitment to the entity and its contribution to Council outcomes.

## **5. Issues for the Subcommittee to Consider**

### **5.1 Capacity Infrastructure Services Ltd**

The final 2014/15 SOI of Capacity Infrastructure Services Ltd (Capacity or the Company) responds in a clear and considered way to the combined feedback of the shareholder councils.

As requested, the Company has clarified its plans in relation to ISO 55000 under the expanded discussion in section 4.1. In particular, Capacity has recently completed an analysis of its asset management practice against the ISO 55000 requirements and is evaluating the costs and benefits of gaining this certification. Regardless of the decision on this certification, the Company will continue to implement planned improvements to its asset management practices to support Capacity's role in developing the 30-year infrastructure plans required by proposed amendments to the LGA and new requirements on financial prudence.

Similarly, the section on inflow and infiltration (5.6.1) has been updated and expanded to provide greater context on these issues: the diversion of stormwater into the wastewater network (and vice versa), and entry of ground

water into networks. In line with shareholder feedback, the Company's strategic priority framework now includes a reference to integrated water management.

The final SOI includes a much greater emphasis on environmental issues with an additional discussion on environmental issues in section 5.6 adding to the existing commentary on inflow and infiltration, stormwater management and water conservation. This discussion summarises the key environmental initiatives that the Company is currently involved in, including Capacity's contribution to the review of Greater Wellington's Regional Plan (setting the objectives, policies, rules and methods for management of air quality, freshwater and the coast).

Capacity has also expanded its discussion of risk management. The Company notes that it has developed a new risk management framework and processes. This framework complies with ISO 31000:2009 and has been peer-reviewed by an external risk expert. Capacity has also developed a new risk register, which will continue to be refined through 2014/15.

Key risks for 2014/15 identified by the Company are:

- Its current accommodation in a building classified as a tsunami risk and with an 80% rating for seismic strength (given its role as a first line infrastructure provider). This risk is being considered in the context of the lease expiring in June 2015.
- Inherited operational risks associated with the Porirua wastewater treatment plant given it is nearing capacity and does not effectively operate during severe adverse weather events. The Company is in discussions with PCC on this issue.
- Those associated with water supply and drainage pipes located in areas of fill material as there is the potential for damage if a pipe failure contributes to a landslide. Capacity is identifying pipelines in backfilled areas, which will be actively monitored and replaced as required.
- Improving confidence that all the Company's operational activities meet RMA requirements and improving the relationship with the GWRC compliance and consenting teams.
- Focusing on health and safety to ensure Capacity is regarded as an industry leader in this area and is positioned to operate from a best practice position if the new legislative regime is approved.

The updated financial forecasts included in the final SOI relating to WCC reflect the funding in the Council's Annual Plan.

The final SOI notes that Capacity will be working with its shareholder councils over the coming year to coordinate the many outcomes and performance measures into a set of clear and consistent performance indicators to allow for improved performance evaluation, benchmarking and trend analysis. This work will be guided by the Department of Internal Affairs guidelines and will be co-ordinated with the timeframes for the Long Term Plans for the councils.

Officers recommend that the Environment Committee recommend that the Council approve Capacity's 2014/15 SOI. Please note that Capacity's SOI needs to be approved by all of the shareholder councils: Wellington City Council, Hutt City Council, Upper Hutt City Council and Porirua City Council.

## **5.2 Wellington Zoo Trust**

Wellington Zoo Trust's (the Zoo's or the Trust's) final SOI is clearly presented and, as requested by the Committee, includes a much stronger emphasis on animal welfare, conservation and programmes to help endangered species. For example, the Zoo has included an extensive discussion of its recently established Animal Welfare Committee and of the Five Domains of Animal Welfare adopted by the Zoo Aquarium Association Australasia, which will form the basis for ZAA accreditation in the future.

The SOI also includes significant added discussion around the Zoo's conservation work, including:

- conservation breeding for restoration programmes;
- global and local visitor advocacy programmes;
- holding insurance populations of endangered species (such as Grand and Otago Skinks);
- supported range state conservation and community programmes (such as Proyecto Titi for Cotton Top Tamarins in South America);
- the Chief Executive's appointment by the Minister to the Wellington Manawatu Conservation Board as of 1 May 2014; and
- involvement in global managed species programmes for endangered animals (e.g. Chimpanzees).

The Trust has addressed all of the issues raised by the Committee in its letter of 3 April, including confirming that an updated asset management plan will be ready to fit within the Council's Long Term Plan timing and that it will ensure that any KPIs relating to the Zoo Capital Plan will align with the funding reflected in the Council's Annual Plan.

The Trust has also re-inserted the volunteer hours KPI and has included the Council full cost per visitor measure as requested. The Trust was asked to suggest an alternative to the public meeting to achieve the aim of community engagement. It has suggested that instead of the proposed community meeting on 19 February 2015, it could provide an annual summary to the Council reflecting the community support and participation the Zoo has been involved in, and the community feedback it has received. Officers would be comfortable with this approach.

The following comments are noted from the Zoo's final SOI:

- The visitor number forecast for 2014/15 remains at 230,111, which implies growth of 6.1% over the 2013/14 target of 216,890. This is significantly higher than the 2% per year visitor growth included as part of the original

approved business plan for the Zoo Capital Plan programme. The targets for 2015/16 and 2016/17 return to a 2% annual growth rate.

- In line with the draft SOI, the Trust has included an operating grant of \$2.757m in its 2014/15 forecast, a 1.5% decrease from the 2012/13 level. However, the Trust notes that at this level of operating grant it may struggle to pay employees a salary increase without raising admission costs to the Zoo.
- The Trust operates under a Contract for Services with the Council and requests that the contract be extended for a further year.

Officers recommend that the Environment Committee recommend that the Council approve the Zoo's 2014/15 SOI.

### **5.3 Karori Sanctuary Trust (trading as Zealandia)**

In its final SOI for 2014/15, the Karori Sanctuary Trust (the Trust) has responded to the point raised by the Environment committee in its letter of 3 April 2014.

In particular, the Trust was asked to include complete forecast financial statements in the same general format as 2012/13 and to include details of the Trust's plans for managing its assets. The Trust was also requested to include a new KPI detailing a fully-costed visitor subsidy.

In the final SOI the Trust commits to presenting Council's full costs of ownership in its future reporting back to Council. The data will be supplied to the Trust by Council and is currently being collated for this purpose. The Trust has also presented a complete set of forecast financial statements in the appropriate format. The financial statements align with the 2014/15 summarised statement of financial performance presented with the Trust's draft SOI.

The final SOI states that the Trust will undertake a review of all its assets and develop a robust asset management plan during 2014/15.

Officers recommend that the Environment Committee recommend that the Council approve Zealandia's 2014/15 SOI.

## **6. Conclusion**

The final SOIs address the key issues requested by the Committee and provide a clear discussion of how each CCO contributes towards the Council's outcomes.

Officers will continue to work with the CCOs to ensure that the SOIs continually improve and drive the performance of this important group of entities that provide a range of critical and popular services to the City.

**Contact Officers:**

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## 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.*