

REPORT 1
(1215/52IM)

**Report of the Council Controlled Organisation Performance
Subcommittee**
Meeting of Thursday 29 November 2012

**Members: Mayor Wade-Brown, Denise Church, Alan Isaac (Chair), Councillors
Coughlan, Marsh and Ritchie.**

THE SUBCOMMITTEE RECOMMENDS:

1. **ITEM 042/12FM REVIEW OF THE PERFORMANCE OF ALL
COUNCIL CONTROLLED ORGANISATIONS FOR THE
QUARTER ENDED 30 SEPTEMBER 2012**
(1215/52/02/IM) (REPORT 2)

THAT Strategy and Policy Committee:

1. *Note the following matters with regard to the first quarter 2012/13
performance of Council Controlled Organisations:*
 - a) *The Basin Reserve Trust began work on the renewal of drainage
on the Basin Reserve with the project on target to host the first
game on December 26. In addition, the Trust has continued to
work with officers to implement a series of maintenance project
intended to improve the overall condition of the ground for Test
cricket and other events. After allowing for depreciation of
\$67k, the Trust made an operating surplus of \$73k, \$66k ahead
of budget.*
 - b) *Capacity doesn't budget to make a profit and a deficit or surplus
generally reflects timing differences between operating costs &
revenues. Total expenditure in Q1 was \$2,007k or 3% below the
YTD budget of \$2,067k. Wellington City Council's total 3
Waters budget for 2012/13 is \$114. 7m; representing an opex
budget of \$48.2m, capex projects with a budget of \$22.7m and 2
capex carry forward projects worth \$1.4m. Investigations by
MoBIE into a fatal accident that occurred in July, to one of
Capacity's subcontractors, are ongoing.*

Councils operating projects are forecast to be overspent by \$965,000 for the full year. The largest variance is coming from the wastewater area and is attributed to reactive maintenance and increased loading on the wastewater treatment plant. Capacity is requested to provide detail on the reasons and the future impact of the higher than forecast loading.

- c) Positively Wellington Tourism has reported a busy quarter one. Major activity included Visa Wellington on a Plate in August that resulted in visitor spend to the city of \$2.08m. Australian visitor arrivals to Wellington continue to counter the national trend, rising 4.3% during the quarter. However, domestic guest nights and weekend room nights have decreased against 2011 figures which is attributed to Rugby World Cup 2011 and the earlier timing of WOW. Income was \$269k (10%) ahead of budget, while expenditure was \$987k (36%) under budget due to the timing of payments.*
- d) Positively Wellington Venues has made a strong start to the year, posting a net profit of \$43k that was \$33k ahead of budget. Although venue utilisation was down slightly on the previous year, revenue was \$112k (2.9%) ahead of budget. Considerable work this quarter has been put into developing the detail and project framework for the temporary replacement venue in Shed 6, and Key Performance Indicators are now in place with baseline measures for 2012/13. 76 Community Hire days were reported for the quarter. Of these, 74 (97%) were funded in part by a grant or subsidy.*
- e) Cable Car passenger numbers for the quarter were 218,714, or 1.4% below budget. Passenger numbers for the quarter were 8% lower than for Q1 last year which is attributed to the positive impact of the Rugby World Cup on passenger numbers last year. This is a continuation of a steady decline in passenger numbers – which is attributed to the prevailing economic conditions and decreased student numbers travelling by cable car. Operating costs for the period were \$1.202m below budget, contributing to a deficit before tax for the quarter of \$21k versus a budgeted deficit of \$93k. Work on upgrading the Kelburn Terminus is continuing with consents, design and tender documentation, all aiming towards construction commencing in April 2013.*
- f) Overall, visitor numbers for the Museums Trust in the first quarter visitor were 130,518, 7% below target of 141,260. City Gallery performed significantly better than budget achieving 48,387, against budget of 32,000. Museum of Wellington, Cable Car Museum and Capital E all performed below target. The*

Trust attributes this to the general flat economy and mood of the country and notes that similar numbers have been reported via Museums Aotearoa from other cultural institutions in the country. The Trust recorded a surplus of \$108k against a budgeted deficit of \$22k. This is attributable to reduced expenditure in operating expenses. Trading income was below budget, achieving \$306k against the budgeted \$423k. All variances are timing variances only.

- g) Wellington Waterfront Limited moved forward on a number of significant projects during quarter one, overseeing the seismic assessment of Shed 6, the Shed 6 wharf and the TSB Arena, and working with officers on the revision of the North Kumutoto Design brief. The company recorded an operating deficit for quarter one of \$1.4m against a budgeted deficit of \$1.2m. The main reason for this unfavourable outcome was depreciation for the quarter being over budget by \$416k because of the revaluation of assets in June 2012 that resulted in an increase in assets of \$66 million. At the end of the quarter, the advance from Council was \$17 million and is tracking as expected.*
- h) Visitation at Wellington Zoo for 2012-13 as at end of September is behind target by 1,679 visitors but ahead of last year's record year by 959 visitors to date. The budgeted operating deficit for Q1 was 52k versus an actual operating deficit of \$91k, due to a visitor mix trend of less full paying adults than expected. This trend improved during October 2012 and the Zoo expects to meet their 2012/13 budget targets.*
- i) The New Zealand Local Government Funding Agency Ltd's Q1 surplus before dividends and tax was \$350k, approximately \$280k ahead of forecast. As a result, the LGFA is investigating options to balance the payment of dividends with providing further reductions in borrowing costs to participating local authorities.*
- j) The Karori Sanctuary Trust Board has set up four committees to develop strategies in governance, fundraising and marketing, key strategic partnerships, and its financial model. Visitations for the quarter at 16,259 were 5% (864) below target of 17,123. Despite revenue falling below budget by \$15k, expenditure was contained such that the deficit before depreciation of \$219k for the quarter was \$26k below the budgeted deficit. Cash at bank at 30 Sep 2012 was \$881k, \$84k better than budget. Trading losses for the full year are expected to be approximately \$800k before Council support of \$350k and cash reduce to \$296k at 30 June 2013 assuming the Council approves the \$350k*

provisionally approved in the LTP pending the outcome of a report from the interim Board of the Sanctuary operations.

Alan Isaac
Chair