

REPORT 2
(1215/52IM)

**REPORT OF THE COUNCIL CONTROLLED ORGANISATION
PERFORMANCE SUBCOMMITTEE**
Meeting of Wednesday 5 June 2013

Members: Mayor Wade-Brown, Alan Isaac (Chair), Councillors Coughlan, Marsh and Pannett and Suse Reynolds.

THE SUBCOMMITTEE RECOMMENDS:

1. **ITEM 032/13FM REVIEW OF THE PERFORMANCE OF ALL COUNCIL CONTROLLED ORGANISATIONS FOR THE QUARTER ENDED 31 MARCH 2013**
(1215/52/02/IM) (REPORT 2)

THAT the Strategy and Policy Committee:

1. *Note the following matters with regard to the third quarter 2012/13 performance of Council Controlled Organisations:*
 - (a) *The Basin Reserve Trust, after allowing for depreciation of \$69k, made an operating surplus for the quarter of \$90k, \$100k ahead of budget. Year to date the Trust has a net deficit after depreciation of \$6k, \$123k ahead of budget. The highlight for the quarter was the hosting of the New Zealand versus England test match. Although weather affected, the match drew good crowds to the Basin with one sold-out day and good national and international media coverage.*
 - (b) *At the end of March, Capacity was forecasting a capex carry forward of \$1.35m for Wellington City Council. Design and access issues have resulted in delays to the Tasman Street stormwater renewal project. Similarly, wastewater work deferred to accommodate the Buckle Street upgrade will be undertaken in 2013/14. Year to date capex spend is under-budget by \$3.0m or 17%. Capacity reports an expected opex overspend for the full year of \$1.4m (or 3.5% of budget). The forecast year-end overspend is due to higher than budgeted levels of reactive maintenance and unbudgeted increases in treatment plant tariffs. This overspend is forecast to be offset by favourable variances in asset stewardship within Wellington City Council budgets.*

- (c) *At Positively Wellington Tourism, work on the Destination Wellington initiative dominated its work programme and delayed some of its expenditure. Year to date expenditure is \$1.1m behind forecast and cash on hand exceeds budget at 31 March 2013 by \$1.2m. Expenditure in quarter four is expected to recover the delays to date and the Trust's financial position is expected to normalise (to budget) by year end.*
- (d) *Positively Wellington Venues posted a net loss for the quarter of \$77k, \$8k below budget. Year to date the company had an operating deficit of \$27k, \$46k ahead of budget. The company remains on target to achieve a breakeven position at year end. Although venue occupancy is below 2011/12 levels for the same period, revenue has increased by 5%. Work to deliver the modified Shed 6 venue ahead of the closure of the Town Hall in August 2013 is progressing well.*
- (e) *Cable car passenger numbers for the quarter were 4.7% above target for the same period last year. As a result, year to date passenger numbers are up 2.1% on last year. The Company anticipates achieving its budgeted result for the year.*
- (f) *Total year to date visitor numbers at Museums Trust (511,033) have regained the ground lost in quarters one and two and are above the year to date forecast visitation numbers (479,500). The Trust expects its year end result will align with the budget.*
- (g) *Wellington Waterfront Limited recorded an operating deficit for quarter three of \$35k against a budgeted deficit of \$303k. Work has progressed well on receiving proposals for the development of the North Kumutoto precinct and the seismic strengthening of the Shed 6 wharf. Over 90,000 people participated in events and activities on the Waterfront during the quarter. At the end of quarter three, the advance from Council was \$17.891 million (not including the \$2.9m for wharf piles). Note that the financial statements were tabled at the meeting and are attached to the minutes of the Subcommittee as appendix 1.*
- (h) *Year to date visitation of 180,085 at Wellington Zoo is ahead of last year by 8.5% and ahead of plan by 10%. The year to date operating surplus of \$229k is above the budgeted \$133k, due to trading income being above budget, largely due to the higher than budgeted visitor numbers. Quarter four is typically run at a material loss and the Trust expects a small surplus for the full financial year.*

- (i) *At 31 March 2013, the Local Government Funding Agency total lending was \$1.8 billion, well in excess of its Statement of Intent target for 30 June 2013. After paying interest on borrower notes, the surplus before dividends and tax was \$1.58m. The start-up phase of the entity has been more successful than forecast and, as a result, the Company will be declaring a full dividend to shareholders in the current financial year.*
- (j) *Despite Zealandia's visitor numbers falling below forecast for the third quarter in a row, total revenue for quarter three was \$47k above budget and expenditure was \$56k better than budget. Year to date, the Trust's operating cash surplus was \$18k, a \$555k improvement on the forecast deficit of \$537k for the period. As a result, cash on hand was \$945k at 31 March 2013. However, this performance somewhat belies the underlying challenges to the business in membership and visitor numbers. These challenges are well understood by the Trust and its strategic initiatives will target visitation and to grow its revenues from all sources.*
- (k) *Event highlights at Westpac Stadium during the quarter included Nitro Circus Live, the Hertz Sevens tournament, and the New Zealand vs England Twenty/20 match. The Trust remains on track to deliver an above budget full year result. Since quarter end, David Gray's replacement as Chief Executive has been announced as Shane Harmon, who was General Manager Marketing and Communications for Rugby New Zealand 2011. Shane will take over when David retires on 30 June 2013, after 16 years of service with the Trust and the Subcommittee acknowledge the achievements made by the Trust under his leadership.*
- (l) *Wellington International Airport Limited has presented its annual report for the year ended 31 March 2013. The company reports a good year with 7% growth in revenue. Capacity in to Wellington increased by 5.7% on the back of the addition of a 9th aircraft to the Jetstar fleet.*

2. **ITEM 033/13FM FINAL STATEMENTS OF INTENT FOR COUNCIL CONTROLLED ORGANISATIONS FOR THE YEAR 2013/14**
 (1215/52/02/IM) (REPORT 3)

THAT the Strategy and Policy Committee:

- 1. *Approve the following 2013/14 Statements of Intent as outlined below:*
 - (a) *Basin Reserve Trust*
 - (b) *Positively Wellington Venues Limited*
 - (c) *Partnership Wellington Trust (trading as Positively Wellington Tourism)*

- (d) Wellington Museums Trust*
- (e) Wellington Waterfront Limited*
- (f) Wellington Zoo Trust*
- (g) Wellington Regional Stadium Trust*

2. *Approve the Capacity Infrastructure Services Limited 2013/14 Statement of Intent, noting that the performance measures will be updated once the final Service Level Agreements under the outcomes based model are agreed. The updated performance measures and targets will be brought back to the Subcommittee for consideration.*
3. *Approve the Wellington Cable Car Limited 2013/14 Statement of Intent, noting that, subsequent to the terminal redevelopment, further discussions will occur between senior WCC officers and the Board regarding an optimal dividend policy for the Company to be reflected in future statements of intent.*

Alan Isaac
Chair