
REPORT 1
(1215/52/02/IM)

REVIEW OF THE PERFORMANCE OF ALL COUNCIL CONTROLLED ORGANISATIONS FOR THE QUARTER ENDED 31 DECEMBER 2005

1. Purpose of Report

To provide the Subcommittee with an analysis of the performance of all Council Controlled Organisations (and other selected entities) for the quarter ended 31 December 2005, in compliance with Local Government Act 2002 and Council reporting requirements.

2. Recommendations

It is recommended that the Subcommittee:

1. *Receive the information.*

2. ***Either:***

Confirm the issues that the Subcommittee wishes the Chairman of the Subcommittee to raise with the Chairpersons of the entities covered by this report in regard either to their performance for the quarter ended 31 December 2005 or to other matters of concern to the Subcommittee.

Or:

Note that there were no issues to raise with the entities covered by this report.

3. ***Either:***

Confirm the issues that the Subcommittee believes should be brought to the attention of the Strategy and Policy Committee in regard either to any entity's performance for the quarter ended 31 December 2005 or to other matters of concern to the Subcommittee.

Or:

Note that there were no issues to raise with Strategy and Policy Committee in regard to this report.

3. Background

It is a requirement of the Local Government Act 2002 (the Act) that where the Council is a shareholder in a council organisation it must regularly undertake performance monitoring of that organisation to evaluate its contribution to the achievement of:

- The Council's objectives for the organisation
- The desired results, as set out in the organisation's statement of intent
- The Council's overall aims and outcomes.

The Council Controlled Organisations Performance Subcommittee (CCOPS) is tasked with the assessment of the efficiency and effectiveness of each entity. Officers have included a brief overview that includes the agreed Key Performance Indicators and financial summaries. The issues that have been identified from officers' reviews are included in this covering report.

4. Entities covered by this report

4.1 Council Controlled Organisations

To comply with statutory requirements, officers will report quarterly to the Subcommittee on the performance of Council Controlled Organisations (CCOs). These are:

Basin Reserve Trust
Capacity
Positively Wellington Business
Positively Wellington Tourism
St James Theatre Charitable Trust
Wellington Cable Car Ltd
Wellington Museums Trust
Wellington Waterfront Ltd
Wellington Zoo Trust

4.2 Wellington Regional Stadium Trust

The Wellington Regional Stadium Trust has received a ruling from the Court of Appeal that clarifies its status and confirms that it is not a CCO. However it is included because of the materiality, both of the financial commitment and the contribution to Council outcomes.

4.3 Council Organisations

At the CCOP Subcommittee meeting on 14 February 2005 it was recommended that a number of Council Organisations would also be monitored on a quarterly basis. These are shown in the following table.

	Level of Financial Commitment	Materiality* of the Project or Organisation to Council Outcomes	Financial risk
Wellington International Airport Ltd	✓		
The Museum of New Zealand Te Papa Tongarewa	✓	✓	
NZ International Festival of the Arts Trust	✓	✓	
Karori Wildlife Sanctuary Trust (business case dependent)	✓	✓	
Sink F69 Trust (for the project duration)			✓

*Officers have set the level of materiality as \$500k

The following entities have been included within this quarter:

The Karori Wildlife Sanctuary Trust
 Wellington International Airport Limited
 Sink F69 Trust

Officers are working with the International Festival of the Arts Trust and with Te Papa to identify if they are able to report to the Subcommittee in future.

5. Issues for the Subcommittee to consider

Council Controlled Organisations:

5.1 *Basin Reserve Trust*

The Trust is a relatively new, small operation, with management services being provided by Cricket Wellington. In its short history, the Trust has regularly struggled to meet the deadlines for reporting to the Council. The most significant example was the Annual Report, which initially did not comply with audit requirements, and missed statutory deadlines by a large margin. A copy of the final report was only received by officers in February. As can be seen, the December quarter report is very brief. In addition, officers have had some difficulty obtaining timely responses to enquiries. Council Officers are going to meet with Cricket Wellington and the Trust to discuss these issues.

5.2 *Capacity - Wellington Water Management Ltd*

The company is working through the assumptions it is putting in place for the savings model. Challenges with this include incorporating the effect of CPI cost increases, and allowing for changes in the level of activity. As an example of the latter, some of the work programme is reactive, in response to storms, and particularly bad weather spells could mask the savings that should be achieved.

The company is considering ways that it might seek to expand its operations – whether to other TLAs or into other activities in related asset management areas. The Council will need to be convinced that such actions will not adversely affect the service levels provided to it as a customer.

5.3 *Positively Wellington Business (Wellington Regional Economic Development Trust)*

PWB has largely completed its restructure, but is indicating that its full year position will be a loss of some \$186k, largely due to the restructure costs. The Trust has asked the Council whether there is any ability to assist with this. Council officers note that the half year result is a reasonable surplus, and are in discussions with PWB to understand how this will flow through to the year end result. For their part, PWB are working to mitigate the year end position. Consistent with similar results for other CCOs, the officers view is that small losses can be sustained by the Trust, and can be offset over the next year or two through budgeting for small surpluses, to reinstate the working capital position. However it is appropriate for this subcommittee to explore the issue and make any recommendations as appropriate to Strategy and Policy Committee.

A related item to consider will be the ongoing impact of the loss of NZTE funding for the incubators.

Officers will be working with PWB to identify whether more appropriate KPIs can be used in future. It is evident that the measures in place are too high level, and are not directly or obviously affected by the activities of PWB.

5.4 *Positively Wellington Tourism (Partnership Wellington Trust)*

Officers will be working with PWT to identify whether more appropriate KPIs can be used in future. It is evident that the measures in place are too high level, and are too difficult to measure in a timely manner.

Given the recent reported downturn in tourism, particularly international visitors to New Zealand, the subcommittee may wish to explore with PWT what effect the current marketing programmes have had – noting that Wellington appears to have performed slightly better than the national trend.

5.5 *St James Theatre Charitable Trust*

The board of St James has expressed its concern at the loss of Audience Development funding for the coming years. Council officers have noted that other funding avenues are considered more appropriate for this area – particularly LEOTC funding.

The Trust appears to have covered the loss of a major booking during the first quarter, with solid numbers during the second quarter. It is apparent that there can be quite a lot of movement in the numbers of performances at each theatre, but that overall numbers are ahead of target. These results continue to highlight the fragile nature of the theatre market.

5.6 *Wellington Cable Car Ltd*

The company continues to hold discussions with Greater Wellington Regional Council (GWRC) over the proposed sale of the trolley bus overheads network. A recent development has been that Vector has highlighted the likely future costs for replacing the power supply points, which is payable by Stagecoach, but ultimately would need to be subsidised by GWRC. While this is not an issue for Wellington Cable Car Ltd, it does impact on the overall affordability of the service, and thus the future viability.

GWRC has recently advised that it intends to consult on the proposal in its draft LTCCP which means that a decision could be several months away. In the meantime the interim funding arrangements must be finalised between the two parties. The company is not willing to continue with the present situation of a rolled over contract, as it provides insufficient funding and certainty.

5.7 Wellington Museums Trust

The Trust has noted falling visitor numbers, which it attributes in part to the drop in international visitors. Officers will engage in further discussions with the Trust about the nature and effectiveness of current marketing and promotional programmes, to identify whether there are opportunities for improvement. Given the recent substantial investment by the Council in the Cable Car Museum extension, there is a reasonable expectation that this will result in improved numbers at that venue.

5.8 Wellington Waterfront Ltd

The Waitangi Park project has been reported to Council through a number of avenues. Originally due for completion prior to Christmas, the various issues with the first contractor caused the completion date to slip out to February, then April/May. In addition, the Council has been advised that the project will exceed its contract amount by some \$5 million. An Audit of the project was undertaken by Audit New Zealand, and the findings reported prior to Christmas. Recent and regular updates from the company advise that the project will still be completed for the \$5 million over-run, and by May.

Title for Site 7 has not yet been issued, but is progressing according to expected timeframes. Section 223c certification was issued, and the application is with LINZ at present. A bond will be required from the company for required water infrastructure, before 224c certification is issued. No timing issues have been identified at this stage, and title is therefore expected before June.

5.9 Wellington Zoo Trust

The Zoo Trust is completing the Chimp enclosure, and some minor items, out of this years capex programme. The Giraffe enclosure is expected to go to tender in May, meaning the project will not realistically commence until the 2006/07 financial year. An estimated \$1.2 million will be carried forward for this purpose. While the Trust has expressed its disappointment that next year's capex programme has been slowed down through spreading of the budget over 2 years, it should be noted that next year's programme will still be the largest in recent years. The hospital development is dependant on the Trust achieving \$1.7 million in funding from other sources, which we are advised is 70% achieved. Assuming all funding is obtained, and the hospital project commences, the Trust may be spending \$4.7 million on these projects next year.

The Trust is working on its Zoo Capital Plan (ZCP), but a final date for its presentation to the Council has yet to be agreed. In work to date, the Trust has identified some important issues that need to be worked through in completing the ZCP, including phasing and Building Act effects. The Trust is in regular communication with officers on this project.

5.10 Wellington Regional Stadium Trust

There are no issues for discussion.

5.11 Wellington International Airport Limited

There are no issues for discussion.

5.12 The Karori Wildlife Sanctuary Trust

There are no issues for discussion.

5.13 Sink F69 Trust

The Trust is still finalising its project costs, some 4 months after the conclusion of the project. Trustees met with officers in November, and advised that the funding shortfall was approximately \$85,000. It was advised that a further \$15,000 costs were estimated to be outstanding, although it was hoped that some residual income would offset this. However the Trust requested further time to compile all final accounts, as some (such as ACC levies) would take longer to finalise.

It was agreed that a final report would be presented to the Council in February.

On 21 February an email was received advising that the final report would be late, and is now expected in March. However the note also advised that the expected shortfall is \$160,000 due to additional Eventpro costs. Officers will also be interested in understanding what steps the Trust has been taking to reduce this shortfall.

Notwithstanding these comments, officers expect a request from the Trust for this shortfall to be paid by the Council. Any such request will be reported to Council once received.

6. Conclusion

A covering report prefacing each entity's quarterly report which summarises the information for the quarter. The issues for the Subcommittee to consider have been determined after review of the documents by officers and discussion with the entities. After considering these reports, the Subcommittee can, if it considers it appropriate to do so, draw any matters to the attention of the Strategy and Policy Committee.

If it believes it will help clarify the information presented or assist with its monitoring role the Subcommittee can also ask the Chair to seek responses from a Board or Trust Chair to any queries it may have. These responses would then be tabled at the next meeting of the Subcommittee.

Contact Officer: *Wayne Maxwell, Director, Council Controlled Organisations*

Supporting Information
1) Strategic Fit / Strategic Outcome <i>These entities and projects support the achievement of a range of outcomes across most KAAs. Where relevant, reference is made to the 2005/06 Annual Plan.</i>
2) LTCCP/Annual Plan reference and long term financial impact <i>Please refer to the individual covering report that prefaces each entity.</i>
3) Treaty of Waitangi considerations <i>This report raises no new treaty considerations. Where appropriate the entities do consult with the Council's Treaty Relations unit, and with the Tenth Trust, as part of normal operations.</i>
4) Decision-Making <i>This is not a significant decision.</i>
5) Consultation a) General Consultation <i>A draft of each entity report has been circulated to the individual entity and their comments have been incorporated into the final report as appropriate.</i>
b) Consultation with Maori <i>See section 3, above.</i>
6) Legal Implications <i>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.</i>
7) Consistency with existing policy <i>This report is consistent with existing WCC policy.</i>