

**Report 3***(1215/52/02/IM)***COUNCIL CONTROLLED ORGANISATIONS - 2006/07  
STATEMENTS OF INTENT**

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**1. Purpose of Report**

To present to the Subcommittee the final 2006/07 Statements of Intent received from Council Controlled Organisations (CCOs) and other relevant external organisations.

**2. Recommendations**

It is recommended that the Subcommittee:

1. *Receive the information.*
2. *Confirm that there are no issues that it wishes to draw to the attention of the Strategy and Policy Committee regarding the Statements of Intent, as attached to the officer's report.*
3. *Recommend that the Strategy and Policy Committee approve the following Statements of Intent, subject to the adoption of the LTCCP on 28 June 2006:*
  - 3.1. *Positively Wellington Business*
  - 3.2. *Positively Wellington Tourism*
  - 3.3. *Wellington Museums Trust*
  - 3.4. *Wellington Regional Stadium Trust*
  - 3.5. *Wellington Waterfront Ltd*
  - 3.6. *Wellington Cable Car Ltd*
  - 3.7. *Wellington Water Management Ltd*
  - 3.8. *Wellington Zoo Trust*
  - 3.9. *Basin Reserve Trust*
4. *Note that the Statement of Intent for the St James Theatre Trust will be tabled at the next Subcommittee meeting.*

### **3. Background**

The Local Government Act 2002 (LGA) requires a Council Controlled Organisation (CCO) to present its annual Statement of Intent (SOI) to its shareholder Council, for ratification. The SOI is the governance document between the shareholder / owner and the board of the particular entity. It is a public statement of how the entity will manage and protect the owner's interest. It does this by specifying its objectives, scope, activities and governance mechanism.

Schedule 8, clause 1 states that the purpose of a statement of intent is to:

- state publicly the activities and intentions of a council-controlled organisation for the year and the objectives to which those activities will contribute; and
- provide an opportunity for shareholders to influence the direction of the organisation; and
- provide a basis for the accountability of the directors to their shareholders for the performance of the organisation.

The SOI is required to include a number of specific items, which are set out in Schedule 8, clause 9 of the Act. In addition, individual trust deeds, constitutions and funding deeds specify a range of reporting obligations. In some cases these include additional requirements to those set out in the Act.

It is the Subcommittee's role to review SOI's and to bring any relevant matters to the attention of the Strategy and Policy Committee. If there are no significant issues then the Subcommittee will recommend that the Strategy and Policy Committee approve the SOI's.

### **4. Discussion**

#### ***4.1 Entities covered by this report***

The following are included by virtue of their status as Council Controlled Organisations (CCOs):

- *Positively Wellington Business*
- *Positively Wellington Tourism*
- *Wellington Cable Car Ltd*
- *Wellington Museums Trust*
- *Wellington Waterfront Ltd*
- *Wellington Water Management Ltd*
- *Wellington Zoo Trust*
- *Basin Reserve Trust*

In addition, in accordance with the terms of its funding deed, a 2006/07 SOI has been received from:

- *Wellington Regional Stadium Trust*

## **4.2 Letters of Expectation**

As with last year, a Letter of Expectation (LoE) was sent to each of the entities. This is consistent with best practice, and is a process employed by CCMAU (Crown monitoring unit) in regard to crown entities. The purpose of the letter is to provide a formal response to the draft SOI, and also to set out the Council's expectations of each CCO. This includes some generic principles, and where appropriate sets out specific areas of focus. It should be noted that the Council's expectations will not be contrary to the objects set out in each trust deed.

It should be noted that the draft LoE was not received by the Trusts until after the legislative deadline for submission of their draft SOI. However, since then the LoE has been finalised and sent to the entities and Council Officers have worked with them to ensure that all significant issues have been addressed in the final SOI.

## **5. Analysis**

Council Officers have reviewed the Statements of Intent, and highlighted any significant issues in the analysis below. All the CCO's have produced SOI's that broadly comply with the LGA legislation and accordingly Council Officers recommend that they are approved by the Subcommittee.

It should be noted that where the objectives of any of the CCO's change significantly during the course of the year, then they will be expected to resubmit their SOI's accordingly. For example, the finalisation of the Regional Strategy is likely to impact significantly on PWB as is the sale of the trolley bus network on WCCL.

### **Positively Wellington Business**

Officers have reviewed PWB's Statement of Intent and there are no compliance issues. There were a number of matters identified in the Letter of Expectation for inclusion in the final Statement of Intent. These have largely been addressed.

Due to the time lag in obtaining economic data and the high level nature of the performance measures, proxy measures have been continued to be used to measure the performance for PWB. Officers will continue to work with PWB to review its range of performance measures.

PWB have requested a 10 percent increase in their core funding to \$2.211m from Wellington City Council. The Trust has been requested to submit additional information before a final decision is made.

### **Positively Wellington Tourism**

There were a number of issues identified in the Letter of Expectation which PWT has addressed resulting in the production of a thorough Statement of Intent.

Due to a time lag in obtaining tourism data, proxy measures have been used to measure the performance for PWT. This will continue until such a time that improved data is more readily available however Officers have worked with PWT to use data collected through PWT's research programme to assist in performance measurement. It is anticipated that the research programme may yield more timely information over the course of time.

#### **St James Theatre Trust**

A final Statement of Intent has yet to be received by the CCO Unit. The Trust's final SOI will be tabled at the next meeting of the Subcommittee.

#### **Wellington Museums Trust**

Wellington Museums Trust has produced a comprehensive Statement of Intent which addresses the issues raised with them by Council Officers. The Trust has retained the macro measures agreed in 2005/06 however it has also added additional measures around Organisational Health and Capability.

The Trust continues to highlight core funding failing to keep pace with inflation.

#### **Wellington Regional Stadium Trust**

The 2006/07 Statement of Intent and Business Plan have been provided which sets out the contribution of the Stadium to the city and legislative requirements for a CCO Statement of Intent. The Trust has met the expectations set by the Council.

#### **Wellington Waterfront Ltd**

WWL have provided a detailed Statement of Intent which addresses the key issues raised by Council Officers in the Letter of Expectation (LoE). The annual Business Plan which ultimately will further address several issues raised in the LoE cannot be finalised until the Waterfront Development Plan (WDP), from which it flows, has been approved by the Waterfront Development Subcommittee. Public feedback is currently being sought on the WDP and it seems likely that it will not be tabled at the Strategy and Policy Committee before August 2006.

In 2006/07, WWL will develop KPI's incorporating project milestones based on the key stages of development such as design brief, resource consent, detailed design and construction. They will report against these measures on a quarterly basis and explain any variances.

#### **Wellington Cable Car Ltd**

The Statement of Intent for the company has not been updated from the earlier draft SOI. There are a number of key issues for the company relating to the ownership and funding of the trolleybus network that remain unresolved which will dictate the future direction of the company.

## **Capacity**

Capacity has submitted a final Statement of Intent and Strategic Business Plan. Compared to previous years Capacity has adjusted future financial forecasts for inflation in operating costs. The company operating expenses are 9% below budget YTD with the financial forecasts maintained in line with previous SOI projections and include inflation in later years.

The Strategic Business Plan sets out well the linkage between Capacity's operations and City Outcomes. The company should consider identifying the primary outcomes it contributes to and the key company strategies it has in place to deliver on those outcomes. This would provide a better linkage between its strategic objectives and activities.

## **Wellington Zoo Trust**

The Zoo Trust has provided a detailed Statement of Intent which has addressed the issues raised by Council Officers.

The issue of the negative equity currently in the Zoo Trust books has temporarily been addressed by the receipt of almost \$600,000 of sponsorship funding and the gifting of medical equipment. Both of these amounts are recognised as revenue at the time of receipt; for the sponsorship funds there is a vesting expense when the assets which they are intended to fund have been completed. The medical equipment will be fully depreciated over five years. At this point, assuming no operating surpluses or deficits have occurred, the negative equity will effectively be re-instated.

In the Letter of Expectation, Council officers asked the Zoo Trust to consider budgeting for a small surplus in 2006/07 and beyond to address this issue. The Zoo Trust is working with Council Officers to agree an appropriate course of action to deal with this issue.

The majority of KPI's have been increased compared to the 2005/06 targets – the increase in the WCC subsidy measure is a direct result of the greater increase in Council funding relative to the increase in visitor numbers. The Zoo has introduced a number of new performance measures for 2006/07, notably in relation to conservation. Further work is being undertaken to establish meaningful assessment of the effectiveness of these measures.

In their final SOI delivered in May 2006, the Zoo has requested operational funding of \$3,323,507 for 2006/07 and capital improvements funding of \$4,178,850. At the Strategy and Policy Committee meeting on 1 March 2006, Council approved operational funding of \$2,687,500 and capital funding of \$1,800,000 for 2006/07.

## **Basin Reserve Trust**

The final Statement of Intent and Business plan has been submitted. These are a step forward for the Trust in its second year of operation.

## 8. Conclusion

The review of the Statements of Intent provides an opportunity for the CCOP Subcommittee to identify any particular lines of enquiry or issues that need to be drawn to the attention of the Strategy and Policy Committee. Each CCO has largely taken on board the issues raised within the Letter of Expectation sent by the Council.

The Letter of Expectation asked CCO's to provide greater detail within the Statement of Intent on the nature and scope of operations, the contribution to Council outcomes and the measures that indicate this contribution and the organisations effectiveness and capability. Whilst there has been a step forward in this area in the Statements of Intent, this is a key area where the CCO unit will continue to work with individual entities to improve the clarity with which they demonstrate their alignment to the outcomes sought by the city.

Contact Officers:

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## **Supporting Information**

### **1) Strategic Fit / Strategic Outcome**

The operations of the entities covered by this report support a variety of strategic objectives as set out in the 2006/07 Long Term Council Community Plan.

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

### **3) Treaty of Waitangi considerations**

There are none arising from this report.

### **4) Decision-Making**

This does not involve a significant decision. The report reviews the statements of intent for the entities and forms the governance document between the Council and the entity..

### **5) Consultation**

#### **a) General Consultation**

Discussions have been held with each entity regarding the detail set out in its statement of intent. Each has been provided with an opportunity to comment. Where considered appropriate, these comments have been incorporated into the covering report.

#### **b) Consultation with Maori**

Where considered appropriate, discussions will be held with local Maori, and these comments will be incorporated into the covering report. There were no such issues arising from this report.

### **6) Legal Implications**

Each Statement of Intent complies with the requirements of the Local Government Act 2002.

### **7) Consistency with existing policy**

This does not involve a policy decision. The report reviews the statements of intent for the entities.