
REPORT 4
(1215/52/02/IM)

2010/11 LETTERS OF EXPECTATION TO COUNCIL CONTROLLED ORGANISATIONS

1. Purpose of Report

To seek the Committee's consideration and input into the key messages for the 2010/11 Letters of Expectation to Council Controlled Organisations (CCOs).

2. Recommendations

It is recommended that the Subcommittee:

- 1. Receives the information*
- 2. Confirm the key messages to be included in the 2010/11 Letters of Expectation to Council Controlled Organisations*
- 3. Note that officers will prepare formal 2010/11 Letters of Expectation incorporating the directions of the Subcommittee for signing by the Chair of this Subcommittee*
- 4. Note that the Subcommittee can expect to receive draft 2010/11 Statements of Intent, alongside officers analyses, for its consideration at its meeting in April 2010.*

3. Background

All CCOs are required by the Local Government Act 2002 to prepare a draft Statement of Intent (SOI) for the Council by 1 March of the preceding financial year. To provide an owner's perspective and input into this strategic document, the Council sets out its expectations in a Letter of Expectation (LoE). This process provides both the Council and CCOs with an opportunity to fine tune respective expectations ahead of submitting a final SOI for owner approval (Council) in June each year.

The draft timetable for approval of 2010/11 Statements of Intent is outlined in the table below:

Item	Date	Comment
CCOPS input into 2010/11 LoEs	7 December 2009	Officers receive CCOPS feedback and incorporate it into final letters
LoE sent to CCOs	31 January 2010	Letters to be signed out by Chair of CCOPS
Draft SOIs received by officers	1 March 2010	Statutory deadline
Draft SOIs presented to CCOPS	April 2010	Officers analyse SOIs and provide advice to CCOPS
Feedback on draft SOIs provided to CCOs	April 2010	Signed off by Chair of CCOPS
Final SOIs received by officers	20 May 2010	
Final SOIs presented to CCOPS	June 2010	If CCOPS approves the final SOIs, it will recommend that SPC adopts them
Final SOIs provided to Strategy & Policy Committee (SPC) for approval	June 2010	SPC is the Committee responsible for formal approval of SOIs

4. Discussion

While in recent years a significant lift in the overall standard of SOIs has been observed, improvement is likely to be incremental, and it is anticipated that the Subcommittee will continue to play a key role in reinforcing the quality improvement message to CCOs and officers.

The 2010/11 Letters of Expectation will be split into three parts:

- An introductory section stressing the importance of the SOIs, and noting general issues and high-level Council outcomes largely affecting all the CCOs
- A short, focussed cover letter outlining the key issues for each CCO from an ownership perspective
- A more detailed appendix outlining what needs to be covered by the particular CCOs in their draft SOIs.

4.1 General Issues

A number of issues to be addressed in the Letters of Expectation relate to most or all of the CCOs and these points will be made in the covering letter, as follows:

- The Council has started planning for the Rugby World Cup 2011, including a briefing to all CCOs in September. The LoE will ask the SOIs to build on the significant inputs already provided by the CCOs by demonstrating a commitment and accountability to Rugby World Cup 2011 objectives
- Response to issues such as climate change, water security, the Council's new obligations under the Waste Minimisation Act (2008) and the likely passing of the Emissions Trading Scheme legislation in the near future
- The 2009/19 LTCCP forecasts a year 2 rates increase of 5.88%. The Council aims to reduce this increase sustainably and therefore all grant-funded CCOs need to identify what services would be forgone and any implication of services reduction if Council funding is reduced by 5%. This also reflects Council's desire for grant-funded CCOs to achieve greater financial independence
- It is still important for SOIs to demonstrate how all CCOs will seek to maintain existing service levels without exceeding budgets, how they will comply with agreed LTCCP principles and how they will manage potential pressures on visitation (where applicable) and increases in costs
- Alignment of CCO business planning with the Council's annual planning process
- The need to lift the quality of Statements of Intent, so that they are strategic rather than merely compliance documents. This includes articulating how the organisation intends to contribute to the Council's strategic direction as outlined in the Council's seven strategies
- The continued need to improve risk management including explicitly articulating the risk management processes that underpin each CCO's operations

4.2 Specific Issues

As noted above, officers have compiled a list of key issues for each CCO to address in its SOI. If the Subcommittee agrees, then these points will be incorporated into the Letter of Expectation.

CCO	Key issue
Basin Reserve Trust	<ul style="list-style-type: none"> • Asset renewals and maintenance • Asset Management Plan implementation • Pressure to maintain the Basin buildings and ground to international standards and as a premier city's venue for cricket events and non-sport events • Maximise event opportunities through relationship with Council's Events team
Capacity Infrastructure Limited	<ul style="list-style-type: none"> • All measures included in the LTCCP, including measures on water demand to be incorporated

	<ul style="list-style-type: none"> • Ensure that a single set of measures is used to measure performance and these are accurately reported in the SLA and SOI • Potential changes to a new regionalisation environment and/or need to consider performance metrics
Karori Wildlife Sanctuary	<ul style="list-style-type: none"> • New visitor centre, first full year of operation, new operation structure, new staff and achievement of revenue targets • Increased levels of monitoring as requested by SPC • Implementation of the KST and PWT MOU regarding marketing activities for Zealandia • Close working relationship with other visitor attractions
Positively Wellington Tourism	<ul style="list-style-type: none"> • Implementation of the new Australian strategy • Promotion of city attractions-Karori and Carter focus in 2010/11 • Development of major events • RWC - role regarding integration, visitor packages etc • I-site - future development and relocation • Update on Wellington Tourism Strategy
St James Theatre Charitable Trust	<ul style="list-style-type: none"> • Ability to operate sustainably before depreciation, ie, from a cash perspective • Approved AMP to facilitate Council funding capital renewals
Wellington Cable Car Limited	<ul style="list-style-type: none"> • Technical review group (trolley bus performance issues) • Funding agreement with GWRC • Potential repair/upgrade to Kelburn terminal • Improvement on coordination with other stakeholders in the Kelburn tourist precinct
Wellington Museums Trust	<ul style="list-style-type: none"> • Carter transition and the first year of integration • Maintaining momentum of redeveloped City Gallery after successful re-opening • Collection store project and Plimmer's Ark relocation-projects implementation

	<ul style="list-style-type: none"> • Maintain 30% non-council revenue • Strategies to fully fund depreciation by 2012/13 • Capital E redevelopment
Wellington Waterfront Limited	<ul style="list-style-type: none"> • Completion and peer review of asset management plans for entire Waterfront • Ongoing financial sustainability of Waterfront development • Demonstrate financial viability of interim uses projects • Queens Wharf master plan
Wellington Zoo Trust	<ul style="list-style-type: none"> • Maintain skills and expertise to manage and implement Zoo Capital Programme (ZCP) • Consolidation/approval of ZCP versions 3 and 4 • Timing of access to capex budgets • Continued discussion on grant reduction and appropriate levels of working capital
Westpac Stadium Trust	<ul style="list-style-type: none"> • WST view on risk mitigation measures to be discussed

5. Next Steps

Officers will incorporate the feedback from the Subcommittee on the draft key issues into the compilation of formal Letters of Expectation. These will be signed off by the Chair of CCOPS, before the end of January 2010.

Officers will ask CCOs to submit draft 2010/11 Statements of Intent by 1 March 2010, in accordance with the statutory deadline. These will be presented, along with officers analysis and comment, to the CCO Performance Subcommittee (CCOPS) at its meeting in April. Comments on the draft SOIs from that meeting will be provided to CCOs, with a view to final SOIs being presented for approval to CCOPS and SPC Committees in June 2010.

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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) LTCCP/Annual Plan reference and long term financial impact

Please refer to the individual covering report that prefaces 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 have liaised internally with relevant Directors in the formation of this report.

b) Consultation with Maori

See section 3, above.

6) Legal Implications

A Statement of Intent is a legal requirement for CCOs under the Local Government Act 2002.

7) Consistency with existing policy

This report is consistent with existing WCC policy.