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**REPORT 3**  
*(1215/52/02/IM)*

**REVIEW OF THE PERFORMANCE OF ALL COUNCIL  
CONTROLLED ORGANISATIONS FOR THE QUARTER  
ENDED 30 SEPTEMBER 2009**

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**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 30 September 2009, in compliance with the Local Government Act 2002 and Council reporting requirements.

**2. Recommendations**

It is recommended that the Subcommittee:

1. *Receive the information*
2. *Recommend that the Strategy and Policy Committee (SPC) notes the following matters with regard to the first quarter 2009/10 performance of Council Controlled Organisations:*
  - a) *The Basin Reserve Trust continues to perform well and the construction of the off-field practice wicket is within budget and on target for completion in January 2010.*
  - b) *Council officers continue to work with Capacity to agree the nature and level of services to be purchased in the new Service Level Agreement, in view of the current agreement having expired on 30 June 2009*
  - c) *Positively Wellington Tourism (PWT) remains confident that it will receive additional funding for its Australia marketing campaign after the Cabinet recently announced an additional \$20 million in tourism funding for 2009/10*
  - d) *The St James Theatre Charitable Trust continues to experience cash flow pressures but still managed a busy and well attended first quarter*
  - e) *Wellington Cable Car Limited recently confirmed a dividend to the Council after another strong performance in the 2008/09 year*
  - f) *The Museums Trust successfully re-opened the City Gallery with sustained strong visitation*

- g) The Council has agreed to retain Wellington Waterfront Limited to manage the Waterfront Project*
  - h) The Zoo Trust has just been announced as the winner of the Trailblazer/ Not for Profit Award at the 2009 NZI National Sustainable Business Network Awards in Auckland*
  - i) The Westpac Stadium was rated the best sports venue in New Zealand in a recent survey by Nielsen Company / Brand Advantage*
  - j) The Karori Sanctuary Visitor Centre Project continues on time and on budget*
- 3. Recommend that the Strategy and Policy Committee (SPC) notes that CCOPS continues to monitor the Karori Sanctuary Visitor Centre project at the direction of SPC and that, further to the previous CCOPS update report on 23 October, the next update report is included within this report*
  - 4. Note that as per the report to CCOPS on 23 October, officers continue to monitor the key risks and action any ensuing issues emanating from their ongoing monitoring and any additional risks highlighted by the Financial Healthchecks*
  - 5. Note any other issues for the Chair to raise with the Strategy and Policy Committee in regard to this report*
  - 6. Note any issues for the Chair to raise with the entities covered by 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 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**

A Court of Appeal ruling clarified the Trust's status and confirmed that it is not a CCO. It is included in this report because of the materiality of the Council's financial commitment to the Trust and the Trust's contribution to Council outcomes.

### **4.3 Council Organisations**

At previous CCOPS meetings it was recommended that a number of Council Organisations also be monitored on a quarterly basis. Accordingly, the following entities have been included within this quarter:

The Karori Sanctuary Trust  
Wellington International Airport Limited (Public Excluded)

### **4.4 Visitor Centre Project**

Following the Karori Sanctuary's request for additional loan funding, and the initiation of a governance review, CCOPS has also undertaken to monitor the Visitor Centre project.

## **5. Issues for the Subcommittee to consider**

### **Council Controlled Organisations:**

#### **5.1 Basin Reserve Trust**

Construction of the off-field practice wicket, largely funded by a \$450k capex grant from Council started during the quarter. The project is being managed by the Trust and continues on budget and on target for a January 2010 completion. The Trust is working with officers to develop an Asset Management Plan covering the whole of the Basin Reserve site.

### **5.2 Capacity Infrastructure Services Ltd**

Council and Capacity officers continue to work together to agree the new Service Level Agreement (SLA), the previous SLA having expired on 30 June 2009. The Company believes that it is on track to deliver its \$432k annual savings target for 2009/10.

### **5.3 Positively Wellington Tourism (Partnership Wellington Trust)**

Visitor numbers for the quarter to 30 September 2009 were 3% ahead of the same quarter in 2008 and 6% ahead of the same quarter in 2007. The Trust has recently been buoyed by the announcement that New Zealand tourism will receive an additional \$20 million in the 2009/10 year. Any amounts to be received by PWT have not yet been confirmed – this will obviously impact the amount of any additional funding that the Council would provide to the Trust, as agreed in June 2009.

### **5.4 St James Theatre Charitable Trust**

Aggregate attendances at both venues for a range of performances were ahead of target and the Trust continues to operate effectively, in spite of continued cash flow pressures. The Trust anticipates going overdrawn at some point in January/ February 2010, though it is forecast a return to credit before year end.

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

Cable Car passenger numbers were down against budget and previous years however a fare increase has resulted in an operating surplus of \$86k for the quarter compared to a budgeted deficit of \$24k. The Company continues to try to resolve performance issues relating to the introduction of the upgraded trolley buses.

### **5.6 Wellington Museums Trust**

The redeveloped City Gallery was successfully re-opened at the end of the quarter with the acclaimed Kusama exhibition with over 4,000 visitors in September and continued strong visitation.

### **5.7 Wellington Waterfront Ltd**

At the Council's Strategy and Policy Meeting on 3 September, the Council agreed that the Waterfront Project should continue to be managed by WWL. Therefore it was agreed that funding be allocated from 2010/11 onwards to reflect this, and that this decision be reviewed in time for the 2012/11 LTCCP.

The Council has approved the 2009/10 Waterfront Development Plan, with public feedback suggesting strong support for the retention of WWL and also the temporary campervan park on Site 10.

### **5.8 Wellington Zoo Trust**

The Zoo continues its implementation of the Zoo Capital Plan with the biggest project, the animal hospital (the Nest) tracking budget and on target to open in December. The Trust continues its impressive record of external sponsorship, receiving \$250k from the Pub Charity during the quarter which is tagged to go towards the Hub, the new catering and function facility at the centre of the Zoo.

Visitor numbers are ahead of budget by 10% and visitor revenue is ahead of budget by 20%. Having won the Sustainable Business of the Year for Central and Southern New Zealand 2009 during the quarter, the Trust was recently announced as the winner of the Trailblazer/Not for Profit Award at the 2009 NZI National Sustainable Business Network Awards in Auckland.

### **Other Organisations:**

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

The Westpac Stadium was rated the best sports venue in New Zealand in a recent survey by Nielsen Company/Brand Advantage. During the quarter, the Trust also re-secured naming rights with Westpac and recorded another quarterly surplus ahead of budget. Whilst progress has been made on the roof leak and cladding deterioration issues, some uncertainty remains around the final settlement.

### **5.10 Wellington International Airport Limited**

The Airport recorded a \$2.4m deficit for the 6 months to 30 September 2009, \$2.3m ahead of the \$4.6m budgeted deficit. On 1 November, WIAL celebrated its 50th anniversary with the Airport Flyer providing free travel to and from Wellington Airport's public open day.

### **5.11 The Karori Wildlife Sanctuary Trust**

The Visitor Centre project is going well, the building is now water-tight, exhibitions are being constructed and the project is on schedule to be open in April 2010. The changes to the governance structure have been finalised, and were implemented during the quarter.

Following the Karori Sanctuary's request for additional loan funding, and the initiation of the governance review, CCOPS has also undertaken to monitor the Visitor Centre project. The report of the Council's PMO office is given below:

*'The ongoing cost contingency is tracking within the expected parameters. This will tighten from November onwards now that the café fit out is included in the project. The previous project cost contingency of around \$500k is now around \$300k, having been reduced by \$200k for the Café fit out (hard fit out only approved at this stage).'*

*Almost the entire works budget, both for the build and exhibition have been committed. Only the Services running down the valley requires pricing, however an estimate of these works is allowed for in the cost plan. There remains a standard construction risk of design detail error and omissions causing variation to the agreed scope of work that will still provide a routine level of budget risk.*

*In summary, it is the feedback from both the Project Steering Group and the Project Team that there should be sufficient cost contingency to complete the project successfully. Any doubt about meeting budget has only been caused by the contingency reduction to allow for the café.*

*With respect to programme, the project has been progressing well. The building has been water tight since the 21st of October. The installation of the exhibition works is due to start in the exhibition space in early December. The main construction contractor, Fletcher Construction Company Ltd, has indicated that the project is back on track with an estimated completion, as programmed, of the end of March 2010.'*

Further to the above, CCO officers note that the remaining contingency for the Project was \$504k as at the end of November. The Council has agreed that the Trust draw down \$196.5k for the hard fit-out of the Café, and that when overall project contingencies are updated at the end of December, the remaining contingency will be \$266k, after the cost of the hard fit-out has been taken into account.

In addition to this, the Trust has approached the Council to request an additional \$93k from the contingency be used to fund the soft fit-out of the Café. If Council were to approve this request, it would effectively leave a balance of \$173k at the end of December, with four months until overall Project completion.

## **6. CCO Team Forward Work Programme**

The Council's Financial Accounting Team has recently undertaken a financial health check of all the CCOs and some of the more significant COs. The process comprised financial review of the performance of all the nominated entities over the last five years, up to and including the year ended 30 June 2009.

A number of key risks and key actions came to light as a result of this work which were reported at the 23 October CCOPS meeting. The risks and actions are given in the table below, along with a brief update on the current status of each item.

<b>CCO Officers 12-month focus</b>			
	<b><u>Area of focus</u></b>	<b><u>CCO Officer Action</u></b>	<b><u>Current Status</u></b>
All CCOs	Inflation adjustment for grant funded CCOs	Draft discussion paper for CCOPS and SPC	<i>No progress</i>
All CCOs	Policy for working capital levels	Draft discussion paper for CCOPS and SPC	<i>No progress</i>
All CCOs	Business planning alignment	Formal request to CCOs	<i>Informal discussions with many CCOs; formalisation via Letter of Expectation Dec 2009 / Jan 2010</i>
All CCOs	A number of CCO trustee and director terms expire on 31 December 2009	Officers working with CCOs and Council's Appointments Group to ensure appropriate and timely renewal / replacement of Board members	<i>CCO Appointments paper to Council on 11 December</i>
<b><u>CCO</u></b>	<b><u>Area of focus</u></b>	<b><u>CCO Officer Action</u></b>	<b><u>Current Status</u></b>
Basin Reserve Trust	Management and funding of asset renewals and maintenance	Project manage completion of asset management plan (AMP)	<i>AMP started</i>
	Off-field practice wickets	Monitor construction against key milestones	<i>Project on time and on budget</i>
Capacity	Regionalisation of water services	Facilitate stakeholder discussion	<i>No progress</i>

	Company financial structure	Review operating model to see if structure is appropriate to outcomes sought	<i>No progress</i>
	Service Level Agreement	Assist in finalisation where appropriate; monitor key SLA performance measures	<i>Work continues</i>
PWT	PWT contribution to Council objectives	Monitor financial results and performance measures	<i>Visitor numbers above target, particularly Australian arrivals</i>
St James Theatre Trust	Management and funding of asset renewals and maintenance	Project manage completion of asset management plan	<i>AMP started</i>
	Review of Council venues	Manage review process	<i>Draft report being prepared for Steering Committee</i>
Wellington Cable Car Limited	GWRC funding agreement	Facilitate negotiations	<i>In progress</i>
Wellington Zoo Trust	Zoo Capital Plan	Ensure key drivers (H&S, animal welfare) are addressed and that capital projects are managed within available budgets	<i>Achieved / Ongoing</i>
Karori Sanctuary Trust	Completion of the Visitor Centre project and opening of the new facility	Increased level of monitoring of operating performance and cash position	<i>Ongoing</i>



## **7. Conclusion**

A short report prepared by officers is given for 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 considers that 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 will then be tabled at the next meeting of the Subcommittee.

Contact Officers:

*Ian Clements, Portfolio Manager, Council Controlled Organisations*  
*Maree Henwood, Portfolio Manager, Council Controlled Organisations*  
*Natasha Petkovic-Jeremic, Portfolio Manager, Council Controlled Organisations*

## **Supporting Information**

**1) Strategic Fit / Strategic Outcome**

*These entities and projects support the achievement of a range of outcomes across most strategic areas. Where relevant, reference is made to the 2009/10 Annual Plan.*

**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 Trust, as part of normal operations.*

**4) Decision-Making**

*This is not a significant decision.*

**5) Consultation**

**a) General Consultation**

*A draft of each entity report will be circulated to the individual entity, with comments passed on to the sub-committee as appropriate*

**b) Consultation with Maori**

*See section 3, above.*

**6) Legal Implications**

*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.*

**7) Consistency with existing policy**

*This report is consistent with existing WCC policy.*