
REPORT 3
(1215/52/02/IM)

**REVIEW OF THE PERFORMANCE OF ALL COUNCIL
CONTROLLED ORGANISATIONS FOR THE QUARTER
ENDED 31 DECEMBER 2009**

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 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 notes the following matters with regard to the second quarter 2009/10 performance of Council Controlled Organisations:*
 - a) *The Basin Reserve Trust has completed the construction of the off-field practice wicket and already received positive feedback and the highest possible rating from the International Cricket Council.*
 - b) *Council officers continue to work with Capacity to finalise the new Service Level Agreement and anticipate having it signed by the end of April 2010.*
 - c) *Positively Wellington Tourism received \$1 million additional funding from the Government for its Australia marketing campaign. The campaign has already started and the Australian visitor numbers are performing particularly well.*
 - d) *The St James Theatre Charitable Trust received Council approval to go overdrawn in January but expects to be back in credit before June 2010.*
 - e) *Cable car passenger numbers have been down on last year; however, passenger numbers over the medium term are likely to be helped by the imminent reopening of Carter Observatory.*

- f) *The Museums Trust continues to perform well with visitor numbers and revenue targets higher than budget. The Trust offered a range of exhibition and public programmes and celebrated 10 years of Museum of Wellington City and Sea. The transition of Carter to the Museums Trust is progressing as planned.*
 - g) *The Zoo successfully tendered the catering operations during January and February and announced Mojo as the new operator starting 1 March 2010.*
 - h) *Wellington Regional Stadium Trust had a very good second quarter which included hosting the sell-out All Whites game to secure a place in the Football World Cup. The year-to-date surplus is well above budget and the annual result should also comfortably exceed the original budget.*
 - i) *The Karori Sanctuary Visitor Centre Project continues on time and on budget and it is due to open to the public on 2 April 2010.*
3. *Recommend that the Strategy and Policy Committee notes that the Council Controlled Organisation Performance Subcommittee continues to monitor the Karori Sanctuary Visitor Centre project at the direction of the Strategy and Policy Committee and that, further to the previous Council Controlled Organisation Performance Subcommittee update report on 7 December 2009, the next update report is included within this report.*
 4. *Note that as per the report to Council Controlled Organisation Performance Subcommittee on 7 December 2009, 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 Infrastructure Services Ltd
- 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*

The majority of the construction work on the off-field practice wicket happened during the quarter. The project is largely funded by a \$450k capex grant from Council and it is being managed by the Trust. It has been delivered on budget and on time and the Trust has already received positive feedback about the quality of the new facility. The Trust also undertook considerable maintenance and repair work on the venue.

5.2 *Capacity Infrastructure Services Ltd*

Council and Capacity officers continue to work together to agree the new Service Level Agreement (SLA). The agreement will continue to be a tripartite one, including Hutt City Council. Officers anticipate having it signed by the end of April.

At February end, the Company was still estimating a full year overspend on the Council's opex budget (excluding stewardship accounts). The majority of this estimated overspend is driven by under-budgeted reactive works. At February end, Capacity was anticipating underspending the Council's capex budget and around \$3 million of capex was expected to be carried forward. At this stage, the Company believes that it is on track to deliver its \$432k annual savings target for the Council for 2009/10; however, it should be noted that the savings target may be impacted by the capex carry forward.

The difficulties observed with the service requests responded to within one hour data in Q1 appear to have been largely resolved. However, the Council will continue to monitor these metrics closely to ensure it is confident that information is accurate and meets reporting requirements.

5.3 *Positively Wellington Tourism (Partnership Wellington Trust)*

Australian visitor numbers for the quarter to 31 December were 13% ahead of the same quarter in 2008 and direct international arrivals to Wellington airport show an increase of almost 12%. The Trust received confirmation of \$1 million from the Government to promote Wellington in Australia. PWT worked with Carter Observatory and the Karori Sanctuary on the launch and marketing campaigns for the openings that are planned for late March 2010.

5.4 St James Theatre Charitable Trust

St James approached the Council for approval to use its overdraft facility in January, as required by their Trust Deed. This has been foreshadowed for some time, as during the quieter summer months the Trust is increasingly experiencing cash flow difficulties. The actual level of overdraft fluctuates, but the Trust remains confident that they will be back into credit before year end.

A significant factor in improving the cash flow has been the bi-ennial Arts festival where the Trust has hosted some well-received shows including *Inside Out* and *Good Morning Mister Gershwin*. The Trust is also scheduled to be very busy until the end of the year with a range of comedy, ballet, opera and successful West End productions such as *Miss Saigon* and *Waiting for Godot*.

The venues review, undertaken by the Francis Group, has reported its initial findings with regard to the operations of the Wellington Convention Centre and the St James Trust. Officers are now following up this recommendation with analysis of the tax, legal and financial implications of such a proposal.

5.5 Wellington Cable Car Ltd

Cable car passenger numbers were down against budget and the previous year, primarily due to the inclement weather and tough economic conditions. This trend continued into January, although passenger numbers in February were up on last year. Passenger numbers over the medium term are likely to be helped by the imminent reopening of Carter Observatory.

The Company's overall year-to-date surplus is roughly in line with budget. Maintenance work on the trolley bus overhead network has continued this year and is expected to be completed in line with forecasts. Work continues on the technical review report looking at the trolley bus overhead network.

5.6 Wellington Museums Trust

During the quarter the acclaimed *Yayoi Kusama: Mirrored Years* exhibition at the redeveloped City Gallery Wellington welcomed over 55,000 visitors. Other Trust's institutions also performed strongly with visitor numbers ahead of budget. The Trust offered a range of exhibitions and public programmes and celebrated ten years of the Museum of Wellington City and Sea in November. The Trust has been working closely with the Council and Carter to develop the transition strategy. The transition of Carter into the Museums Trust is progressing as planned.

5.7 Wellington Waterfront Ltd

The Company successfully completed the construction of the temporary motorhome park on site 10, while construction of the wharewaka continued and phase 1 of the wharf repiling approached completion.

The Company has held the first in a series of workshops to generate some work streams that will ultimately lead to the development of a Master Plan for the entire Queens Wharf precinct. The results of the Outer-T ideas competition will be drawn into this analysis and WWL will update the Council's Strategy and Policy Committee at its meeting on 15 April on the current status of the investigations.

Following the Council's decision to retain Wellington Waterfront Limited as the manager of the waterfront projects, the Company has been asked to prepare 10 year financial forecasts as part of its 2010/11 Statement of Intent to enable officers to confirm the viability of the planned waterfront developments.

5.8 Wellington Zoo Trust

Following the decision of Spotless to terminate their catering contract at the Zoo, the Zoo successfully tendered the catering operations during January and February. Mojo are the new operators and took over the running of the café and kiosk on 1 March, and are planning to completely refit the Zoo café during the winter months to give it a similar look and feel to the other Mojo cafes, whilst still incorporating individual elements to reflect the Zoo's character.

As a result of the poor weather over January and February, the Zoo was behind its visitor number target at the end of February but has a number of events planned for March, including children's day which should help to bring visitor numbers closer to target. In addition, on the 20 and 28 March the Zoo is holding a Council free family day where all Council staff and their family receive free entry to the Zoo. This is a part of the Zoo's generous donor recognition package which acknowledges the significant contribution that Council makes to its operations.

Other Organisations:

5.9 Wellington Regional Stadium Trust

Wellington Regional Stadium Trust had a very good second quarter which included hosting a sell-out crowd to see the All Whites secure a place in the Football World Cup. The Trust has recorded a year-to-date surplus of \$1 million, well above budget, and the annual result should also comfortably exceed the original budget. The third quarter should benefit from strong crowds at the AC/DC concerts in January and the unbudgeted Phoenix playoff games which generated good crowds.

It should be noted that the Trust had made strenuous efforts to achieve a negotiated settlement with the contractors on the roof leak and cladding deterioration issues; however, the Trust was unable to achieve a satisfactory response and court proceedings have now been issued.

5.10 *Wellington International Airport Limited*

In January, Wellington Airport released its Master Plan for 2030 following extensive consultation with a wide range of stakeholders on its draft, and a thorough public submission process. \$450 million is to be invested in aviation infrastructure to deliver a premier gateway for over 10 million passengers, more than double today's numbers, ensuring Wellington Airport's role as a significant driver of the region's economic growth.

Wellington Airport welcomed Air New Zealand's decision in March to reconfigure its aircraft which, based on the airline's current schedule of service, will add around 4.7% in capacity on Wellington-Tasman services.

The Airport recently announced plans to erect a Hollywood-style sign on the Miramar peninsula celebrating the location of the heart of New Zealand's burgeoning film industry, "Wellywood". Wellington Airport has resource consent to put the 28-metre-long, 3.5m-tall Wellywood sign on land it owns next to the Miramar Cutting. The U.S. trademark owners of the iconic Hollywood sign have sought legal advice on the issue - the consent was approved by the Council but can be challenged in the High Court.

5.11 *The Karori Wildlife Sanctuary Trust*

The Visitor Centre project is going well. The building was handed over for fit-out in early December and the exhibition installation is going well. Visitor operation activities including membership systems and retail have been developed and implemented. The final preparations for the opening on 2 April 2010 are underway. Visitor numbers for the quarter were above the budget.

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 Council's PMO office reports that the ongoing contingency is within the project's budget. This had tightened with the inclusion of the Café hard fit-out paid for out of the project contingency however the contingency is still looking like it will be sufficient. The building has been completed and handed over. The exhibition is programmed to be complete and handed over on the 26th of March. The opening is planned as per the schedule for the 2 April 2010.

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 2009 CCOPS meeting. The risks and actions are given in the table below, along with a brief update on the current status of each item.

CCO Officers 12-month focus			
	<u>Area of focus</u>	<u>CCO Officer Action</u>	<u>Current Status</u>
All CCOs	Inflation adjustment for grant funded CCOs	Draft discussion paper for CCOPS and SPC	<i>Not yet allocated</i>
All CCOs	Policy for working capital levels	Draft discussion paper for CCOPS and SPC	<i>Not yet allocated</i>
All CCOs	Business planning alignment	Formal request to CCOs	<i>Informal discussions with many CCOs; formalisation via Letter of Expectation in Jan 2010</i>
All CCOs	A number of CCO trustee and director terms expired 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>

CCO Officers 12-month focus			
	<u>Area of focus</u>	<u>CCO Officer Action</u>	<u>Current Status</u>
Basin Reserve Trust	Management and funding of asset renewals and maintenance	Project manage completion of asset management plan (AMP)	<i>A new initiative for a capital renewal program is included in the 2010/11 Draft Annual Plan</i>
	Off-field practice wickets	Monitor construction against key milestones	<i>Project delivered on time and on budget</i>
Capacity	Regionalisation of water services	Facilitate stakeholder discussion	<i>Ongoing dialogue between Capacity and other Councils. May be looked at as part of a broader review</i>
	Company financial structure	Review operating model to see if structure is appropriate to outcomes sought	<i>May be looked at as part of a broader review</i>
	Service Level Agreement	Assist in finalisation where appropriate; monitor key SLA performance measures	<i>Ongoing; see separate discussion</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>The Francis Group has reported its initial findings. Officers are following up on the recommendation</i>

CCO Officers 12-month focus			
	<u>Area of focus</u>	<u>CCO Officer Action</u>	<u>Current Status</u>
			<i>with analysis of the tax, legal and financial implications.</i>
Wellington Cable Car Limited	GWRC funding agreement	Facilitate negotiations	<i>Discussions in progress between WCCL and GWRC</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 – Visitor Centre due to open 2 April</i>
Wellington Waterfront Ltd	Asset Management Plan for entire waterfront	Work with WWL to achieve 'core' status AMP by 31 December 2010	<i>Good progress – improved data and a measureable improvement programme</i>
	2010/11 Waterfront Development Plan	Draft currently being prepared for SPC on 15 April seeking approval to consult; draft amended to reflect consultation feedback as appropriate before finalising 2010/11 work programme	<i>On target to have WDP approved by SPC on 17 June 2010</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:

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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.