

**PARTNERSHIP WELLINGTON TRUST**  
**(trading as POSITIVELY WELLINGTON TOURISM)**

**STATEMENT OF TRUSTEE INTENT**

**2010-11**

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Financial Budgets 2010/11 to 2012/13

# Partnership Wellington Trust

## 1 The Status of the Trust

Partnership Wellington Trust Incorporated (trading as Positively Wellington Tourism) is incorporated under the Charitable Trust Act 1957 and is a not for profit organisation. It is currently responsible for the following activities:

- Marketing Wellington as a visitor destination domestically and internationally
- Marketing downtown Wellington to Wellingtonians and visitors
- Operating the Wellington i-SITE Visitor Centre

The Trust has a strong city focus in all its activities, largely due to funding sources. Its international marketing programme has a strong regional focus.

The Trust is a Regional Tourism Organisation. By virtue of this status it is closely connected with most government and non government organisations and private sector organisations related to the tourism sector.

### 1.1 The Vision and Mission

Positively Wellington Tourism (PWT) launched the “Wellington Tourism Strategy 2015” in December 2008.

The Wellington Tourism Strategy provides both a link to the national tourism strategy (“New Zealand Tourism Strategy 2015”) and a broader strategic framework for the Wellington Cruise Strategy, Wellington Events Strategy and Long-haul Air Connectivity Strategy.

The interconnectivity of these strategies is high and the progression of each depends on each of the others.

- **Tourism Strategy** – PWT is now one year into the implementation of this strategy. The action points noted in the strategy are part of the daily activities of PWT and the actions for 10/11 are detailed in this document
- **Cruise** – The cruise terminal facility at CentrePort has been developed to an international standard and has recently received acknowledgement of such from the cruise industry. The development of transport services between the city and the port by PWT, together with an increased focus on providing visitor information services, means that cruise visitors to Wellington are increasingly satisfied and buying more.
- **Events** – PWT provides essential support services to the activities of the Wellington City Council events office. Together we ensure that the outcomes described in the Wellington Events strategy are delivered. The involvement of the Chair and CEO in funding and developing key events further supports this.
- **Long Haul Air Connectivity Strategy** – PWT continues to work closely with Wellington International Airport Limited (WIAL) and Wellington City Council to create demand for Wellington, and to work with airlines to develop the business case to initiate improved trans-Tasman, and other short and long haul air links e.g. with ports in Australia and between Wellington and a port in Asia.

### The PWT Vision

Wellington will be the coolest urban destination in Australasia, ranking alongside the most internationally recognisable cities in the world.

Wellington will have a range of tourism products and experiences that will “demand” that visitors stay longer and do more.

Wellington will be marketed to New Zealand and the world as a high value destination. Through use of a wide range of media channels and innovative activities the ‘Wellington’ message will reach far and wide.

Wellington’s visitor experience will be second-to-none and create positive advocates for the city.

### **PWT’s Guiding Principles**

- Wellington’s tourism sector takes a leading role in the growth and sustainable development of Wellington’s economy
- Collaboration between Wellington’s tourism stakeholders is unrivalled anywhere in Australasia
- Wellington boasts unparalleled destination management, collaboration and implementation
- Wellington strives to be the most innovative marketing destination in Australasia

### **PWT’s Goal**

To outperform forecasted visitor expenditure growth in New Zealand by 5% each year.

## **1.2 Objectives of the Trust**

The Trust Deed outlines:

The principal object of the Trust shall be to market and add value to Wellington and to achieve sustainable economic growth for the benefit of the public of Wellington.

In carrying out the principal object, the Trust shall also have the following additional objects:

- **Maximise** the city’s share of regional consumer spending through strategic campaigns promoting the city throughout New Zealand and overseas as a destination for shopping, leisure, entertainment and events.
- **Enhance** the profile of city tourism and retail businesses; promote strategic alliances and private sector partnerships.
- **Improve recognition** of Wellington and give support to the Wellington region as a key and desirable visitor destination.
- **Drive** the co-ordination of marketing initiatives appropriate to the objects of the Trust.
- **Ensure** marketing initiatives are focused on increasing the sustainability of Wellington’s commercial sector.
- **Recognise** and promote community focused initiatives.
- **Enter into** funding agreements and other contracts that are necessary or desirable to achieve the objects of the Trust.
- Generally to do all acts, matters and things that the Trustees consider necessary or conducive to further or attain the principal and additional objects of the Trust set out above.

The Trust’s objectives shall be carried out to benefit people in Wellington. The Trustees may carry out activities outside Wellington to promote the Trust or the Trust assets, but only if they believe that such activities will be for the ultimate benefit of people in Wellington.

## 2 Governance

Partnership Wellington Trust is a Council Controlled Organisation. It was settled in 1995 by Wellington City Council.

### 2.1 Role of the Board

The Trustees are responsible for setting the strategic direction for the Trust, and approving the Statement of Intent and Annual Business Plan. The Board monitors organisational performance and ensures the ongoing viability of the organisation is maintained.

The Board delegates the day to day operation of the Trust to the CEO and the Management Team, who report monthly to the Board.

As part of the ongoing relationship with Wellington City Council, the Chair and CEO meet with the Mayor and CEO of Council on a regular basis and the CEO meets regularly with Officers of the Council Controlled Organisations Unit and other Council Management when appropriate. The Chair and CEO attend the Monitoring Sub Committee as required.

### 2.2 Board Membership (as at 30 June 2010)

Member	Term expires
Glenys Coughlan (Chair)	31 December 2012
Peter Monk	31 December 2011
Ruth Pretty	31 December 2012
Jo Coughlan	31 December 2010
Kim Wicksteed	31 December 2011
John Milford	31 December 2011
Mike O'Donnell	31 December 2010

### 2.3 Board Operations

The Board will aim to meet best practice governance standards. The Board will meet no less than 11 times per year and in addition to the Audit, Finance and Risk sub committee the Trust has recently established a Remuneration sub committee. Other sub committees will be established as required.

A review of Trustee performance has been commissioned (and will be undertaken annually). This will be completed through the New Zealand Institute of Directors' formal assessment process and will be based on a Chair and Full Board Review, including input from the CEO.

### 2.4 Audit, Finance and Risk Sub Committee

The Audit, Finance and Risk Sub Committee meet at least twice a year to prepare and review audit matters, confirm budgets and review ongoing financial performance. This Committee reviews and recommends the Annual Report and Audit to the Board.

### 2.5 The Remuneration Sub Committee

The Remuneration Sub Committee meets at least twice a year. It reviews and recommends executive remuneration to the Board and provides advice on developing strategies for succession planning, organisation development etc.

### **3 The Nature and Scope of the Activities to be Undertaken**

#### **3.1 Background and Operating Environment**

The Trust has a diverse range of operating activities and operates in most key areas of the tourism sector. It is reliant on financial support from Wellington City Council, partnership funding with commercial organisations and joint ventures with Tourism New Zealand provided for by the Ministry of Tourism. The Trust also operates the Wellington i-SITE and, in joint venture with Destination Marlborough, the Interislander i-SITE. The Trust competes with other city priorities for funding and is publicly and privately accountable for its expenditure.

#### **3.2 The Main Activities of the Trust (in alphabetical order)**

##### **3.2.1 Australia Marketing**

- Marketing Wellington at both consumer and trade levels in the Australian market and maximising the opportunity to leverage Wellington City Council's investment in this market through working with strategic partners such as Tourism New Zealand, neighbouring regions, WIAL, airlines and local industry partners who have shared objectives.
- Ensuring better connectivity with Australia by encouraging increased air capacity, new route development and competition.

##### **3.2.2 Communications**

- Leveraging marketing activity and key city messages by way of an active communications plan which reinforces the marketing activities of PWT through all types of media in New Zealand and beyond.

##### **3.2.3 Convention Bureau**

- Marketing Wellington as a leading conference and convention destination to the New Zealand and Australian markets, maximising the opportunity provided by Council's investment in facilities and services dedicated to this purpose.

##### **3.2.4 Downtown Marketing**

- Delivering campaigns to help ensure downtown Wellington remains vibrant as a place to visit for locals and visitors.
- Sharing information about new and exciting city centre activities through utilisation of our KNOW Wellington databases.

##### **3.2.5 Event Marketing and Development**

- Support event development and add value to the event programme with targeted marketing and promotions support.
- Working closely with Wellington City Council on event development and jointly establishing and applying criteria to further develop the city's understanding of the economic, social and other benefits of events.
- Provide support and services to key event organisations (such as NZI Sevens and Montana World of WearableArt™ Awards Show, Te Papa Tongarewa and promote new events such as Wellington On a Plate).

##### **3.2.6 International Marketing**

- Marketing Wellington as a compelling visitor destination in target long haul markets, notably the UK, Europe, the USA and increasingly in Asia.
- Ensuring better connectivity in long haul markets by working on the development of long haul air services.

- Coordinating the international marketing activities of those attractions in which Wellington City Council have invested and from which a stated outcome is that international visitors will be attracted to buy tickets/access to those attractions in order to support the commercial performance of these attractions and assist in Council's vision of Wellington being a vibrant and internationally competitive city.

### **3.2.7 i-SITE Visitor Centre**

- Operating an i-SITE Visitor Centre in the city is a core function and this function has recently been extended to providing an i-SITE service onboard the Interislander vessel Kaitaki. The purpose of providing these services is to motivate visitors to stay longer and do more whilst in Wellington, leaving our city with the greatest of experiences.
- Provide i-SITE visitor services in other parts of Wellington city, particular in respect of information provision for the growing number of cruise ship visitors.

### **3.2.8 Leadership**

- Leading Wellington's tourism industry growth and development in an innovative and vibrant way. Developing and defining industry strategy is central to this leadership activity.

### **3.2.9 New Zealand Marketing**

- Delivering targeted marketing programmes and campaigns to the New Zealand market which maintain the city's position as the premier urban destination in New Zealand, working with the Wellington City Council's Event team and the key visitor attractions in Wellington.

### **3.2.10 Online Tourism Distribution**

- Ensuring that Wellington has a high profile and highly effective online tourism presence both to New Zealanders and international travellers, with maximum ability to convert consumer interest into purchasing Wellington visitor experiences.

### **3.2.11 Product Development**

- Supporting the development of new tourism attractions and the development of new and existing tourism businesses and services through provision of information, networks and advice.

### **3.2.12 Partnership/Relationships**

- Maintaining a strong private/public sector funding approach to the Trust's work and through developing i-SITE income, partnership and joint venture programmes maintain Wellington City Council's investment as being no more than 50% of PWT's income
- Maintaining strong relationships with relevant public and private sector interests, most notably Wellington City Council and its subsidiary organisations/Trusts/CCOs etc.

### **3.2.13 Research**

- Ensuring Wellington's tourism dataset and information base is consistent with industry practice in order to properly inform marketing and product development decision-making both for the Trust and as an information source for other agencies and private enterprise.

### **3.2.14 Rugby World Cup 2011**

- Support Wellington City Council in the delivery and management of marketing, media and visitor services for the Rugby World Cup 2011 (RWC2011) taking into consideration the needs, requirements and restrictions imposed by stakeholder groups both from within the city and beyond.
- Planning activities in the international travel market and trade training in the 2010/11 year which align with and leverage the opportunities provided to Wellington through hosting teams and games during RWC2011 and capturing a legacy value beyond.

### 3.3 Future Direction of Tourism – Strategic Goals

In the following sections of the PWT Statement of Intent we outline the risks and opportunities that we see for Wellington as a visitor destination.

As an organisation, PWT takes risk management seriously and we have incorporated risk assessment protocols in both our governance and management processes. We also believe it is vitally important to target development opportunities that will help to secure the future of Wellington as a vibrant and viable visitor destination. Sometimes this involves a degree of “managed” risk.

PWT has set some significant goals for 2010/11 and beyond. These goals take into account the immediate and long term potential of tourism; they are both sensitive to the current environment and cognisant of tourism’s future potential.

3.3.1 The Trust has the following strategic goals for 2010/11:

- 1) **Investing in Australia:** PWT will continue work commenced in 2009/10 to increase the recognition and desirability of Wellington as a visitor destination in the Australian market. To achieve this, PWT will work with industry and regional partners to maintain (and where possible grow) adequate funding levels and develop new partnerships so that we can make a credible impact in the Australian marketplace, securing and growing our share of Australian visitors/spend in regards to leisure, convention, business, and friends and family visitation.
- 2) **i-SITE Redevelopment:** PWT is investigating redevelopment options for the existing Civic Square i-SITE to ensure that the core i-SITE deliverables are in place before the start of RWC2011. There are a number of drivers for change. We are committed to delivering a step-change in the experience provided at the Wellington i-SITE (and any remote sites that we own/operate). Our vision is to go beyond our advertising promise and inspire visitors to our city to stay longer, do more and leave with the very best experiences.
  - a) **Short term Development:** it is the intention of the Trust to make a significant investment in the Wellington City i-SITE in the 2010/11 year (this investment will be from the reserves of the Trust and a contribution from the i-SITE’s operational performance).
  - b) **Medium/Long term Development:** the Trust will continue to consider options for moving the facility onto the Wellington waterfront while being aware that finding a new space that is affordable (for the City) and functional (for visitors) is a challenge and needs to be part of wider strategic planning issues for the city.
- 3) **Leveraging partnerships:** PWT will maximise the productivity of the investment made by Wellington City Council in the marketing and sales activities of its core visitor attractions by working with the existing Council Controlled Organisations and other agencies/organisations to bring together a series of world class visitor experiences. In 2009/10 \$ 2.35m of the Trust’s expenditure was in direct partnership with city events and attractions which the city either “own” or in which it has a substantial investment interest. This will be at least maintained in 2010/11.
- 4) **The Domestic Market:** The domestic market is our engine market and PWT will maintain Wellington’s position as the most desirable New Zealand urban destination for a short-break market. New Zealanders understand what Wellington is about; PWT will offer the domestic market “more reasons to visit more regularly” through effective marketing activity, with continued focus on event marketing
- 5) **International Icon:** PWT will utilise online marketing activities to educate the world about Wellington and increase its desirability as a business and leisure visitor destination. These activities



- 6) **Event Mecca:** PWT through strategic development activity and marketing support to Wellington City Council Events team will play a lead role in the development of more events throughout the year to appeal to a variety of target audiences.
- 7) **Economic Driver:** PWT will seek to extend the economic impact of tourism by attracting visitors from sectors that currently do not incorporate Wellington in their itinerary. A specific action will be to find ways to assist Positively Wellington Waterfront in marketing the new Waterfront Motorhome Park and by closely aligning activity in Asia with that of agents working in the independent travel market.
- 8) **Outstanding Venues and Facilities:** PWT will work with the convention and events sector to consider how the requirements of each can be met in Wellington both to maintain growth in the current environment and to work with the ambitions of both sectors to deliver a ‘Vector’ style arena with convention facilities for these activities in the future.
- 9) **Environmental Leadership:** PWT will continue its leadership role for the tourism sector in Wellington by continually advocating for the consideration of sustainable tourism practices both across the sector and in individual businesses. In 2010/11 PWT will undergo Qualmark business and Enviro accreditation in order to benchmark its own activities against tourism industry standards and thus create a platform for future improvement. The Wellington i-SITE has achieved accreditation during 2009/10 and an Enviro-Silver rating within this accreditation.

### 3.4 Alignment with Council Outcomes

The table below outlines where the Trust’s objectives are most closely aligned with Wellington City Council’s objectives. PWT and the WCC share strong common goals:

- Creating a compelling “sense of place”.
- Ensuring the city is better connected with airline services.
- Protecting the city’s leadership in the event area.
- Contributing to the city’s cultural wellbeing.

The Trust will work closely with Wellington City Council to deliver on city objectives. The Trust acknowledges its role as a partner of Wellington City Council in delivering on the City’s wider economic and city development programme.

#### Partnership and Commitment

The Trust will work closely with Wellington City Council, other Councils, Grow Wellington and other agencies on the development of the Wellington Regional Strategy to maximise opportunities for the tourism sector.

Where appropriate the Trust will adopt a regional approach in our work programmes. This will be done on the basis that it makes economic and commercial sense for our core funding partner (WCC and the Downtown Levy payers).

<b>WCC STRATEGY FRAMEWORK</b>	<b>OUTCOME</b>
<b>Economic Development Strategy</b>	<b>The outcomes sought in the Wellington City Council Long Term Council Community Plan are a key driver of PWT activity:</b> <ol style="list-style-type: none"> <li>1. Stronger Sense of Place</li> <li>2. More Compact</li> </ol>

<p><b>PWT Supports the Strategy Approach in the WCC Long Term Council Community Plan (WCC LTCCP)</b></p> <p><b>PWT focuses on the priorities of the WCC LTCCP</b></p> <p><b>PWT shares goals and KPIs with the WCC LTCCP</b></p>	<ol style="list-style-type: none"> <li>3. More Eventful</li> <li>4. More Entrepreneurial and Innovative</li> <li>5. Better Connected</li> <li>6. More Competitive</li> <li>7. Maximising the opportunities provided by RWC2011</li> </ol> <ul style="list-style-type: none"> <li>• “Support high quality events and promote tourism and vibrant retail sector.”</li> <li>• “Celebrates creativity and innovation in the business sector.”</li> <li>• “Improve the city’s connection to the rest of the world.”</li> <li>• “Supports downtown Wellington as the centre of the region’s retail and service economy.”</li> <li>• “Take a regional approach to economic development through the Wellington Regional Strategy and Grow Wellington.”</li> </ul> <ul style="list-style-type: none"> <li>• “Maintaining Wellington’s reputation as a vibrant, creative and eventful place – particularly maximising the economic return from our events development fund.”</li> <li>• “Working with others to sustain Wellington’s service/creative industries and workforce. This includes maintaining our investment in tourism...”</li> </ul> <ul style="list-style-type: none"> <li>• “When visitor numbers and lengths of stay continue to increase; when the major events we support return more than 20:1 on the Council’s investment.”</li> <li>• “When direct flights to Asia can be accessed out of Wellington”</li> </ul> <p>(extracts from Wellington City Long Term Community Plan – Economic Development ‘Strategy at a Glance’)</p>
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These activities and PWT’s core work programmes align with Wellington City Council’s Economic Development Strategy and contribute to a number of desired community outcomes as set out in the 2010 LTCCP:

<b>WCC STRATEGY FRAMEWORK</b>	<b>OUTCOME</b>
<p><b>PWT shares goals and KPIs with the WCC LTCCP that deliver ‘Community Outcomes’</b></p>	<ul style="list-style-type: none"> <li>• “Wellington will promote the sustainable management of the environment and support increased opportunities for the exercise of Kaitiakitanga.”</li> </ul>
	<ul style="list-style-type: none"> <li>• “Wellington will protect and showcase its natural landforms and indigenous ecosystems.”</li> </ul>
	<ul style="list-style-type: none"> <li>• “Wellington as New Zealand’s capital city will house and engage effectively with central government, embassies and corporates.”</li> </ul>
	<ul style="list-style-type: none"> <li>• “Wellington will have an increasing diversity of vibrant, internationally competitive businesses and industries of all sizes, and sustainable employment opportunities.”</li> </ul>
	<ul style="list-style-type: none"> <li>• “Wellington will be a prime tourist and conference destination, with diverse and changing attractions that fit and</li> </ul>

	<ul style="list-style-type: none"> <li>• “Wellington will be recognised as New Zealand’s arts and cultural capital, encouraging visual and performing arts.”</li> </ul>
	<ul style="list-style-type: none"> <li>• “Wellington will have venues that suit a range of events and the needs of the city.”</li> </ul>
	<ul style="list-style-type: none"> <li>• “Links by land, air and sea will meet the needs of the people and enterprises.”</li> </ul>
	<ul style="list-style-type: none"> <li>• “Wellington will have clear directional signage.”</li> </ul>
	<ul style="list-style-type: none"> <li>• “Wellingtonians will be actively involved in their communities and work with others to make things happen.”</li> </ul>
	(extracts from Wellington City Long Term Community Plan – Economic Development ‘Community Outcomes’)

### 3.5 Organisational Health and Capability

Organisationally, the Trust is in a sound position. However it is reliant on funding support from Wellington City Council and other income such as private sector partnership funding and other grants and sponsorships.

In 2009/10 the Trust’s turnover has been derived from four key sources;

- Wellington City Council grant (48.7%)
- Operation of the Wellington i-SITE and [www.WellingtonNZ.com](http://www.WellingtonNZ.com) (27.9%)
- Partner income from the Wellington tourism industry (13.6%)
- Central Government funding (new in 2009/10) (8.9%)

In this year we have secured new funding both from industry and agencies other than WCC; as we start our i-SITE activities on board the Interislander vessel Kaitaki we look forward to new revenue from this venture too.

The increased support received from Wellington City Council in 2009/10 has enabled the Trust to increase funding from other partner agencies and the tourism sector (including new Central Government funding) by \$ 1,073,662. This is a significant gain over the previous financial year and we are pursuing a further gain in the new financial year.

#### **Reducing Core Funding will put Outcomes at Risk**

The current economic environment has put pressure on both public and private sector funding. We can continue to expect increased competitor activity as other Regional Tourism Organisations (RTOs) compete for a bigger share of both the domestic and Australian markets to compensate for the decline in long-haul markets. They all look with jealousy to Wellington’s events programme; we should not underestimate how aggressive they may be in competing for these properties.

We are committed to reviewing core expenditure and delivering more effective campaigns through JV activity.

The organisation’s private sector partnership programmes are critical to the marketing of the city and bring significant competitive advantage by way of industry input and funding, and a high level of commercial accountability.

Maintaining the Trust’s funding base and mix is fundamental to sustaining the operational viability of the Trust and any reduction in funding or substantial change in the funding mix would result in a consequent reduction in service levels, changes in core capabilities or a reduction in the scale and impact of our marketing programmes. Everything we do delivers direct and indirect benefits to the

downtown marketing fund ratepayer, as well as the wider community. We will continue to reinforce the ROI we deliver.

Wellington's successful growth as a visitor destination since the foundation of the Trust has been grounded on the cooperative arrangement between City Council and private enterprise, this has enabled the Trust to carry out a greater range of activities increasing visitation from a broader set of markets than any other comparable body in New Zealand. Any reduction of funding from a stakeholder organisation challenges the ability of the Trust to maintain these activities successfully.

## **2010/11 Deliverables**

Below we set out the key deliverables of the Trust and the background of how they integrate to deliver a compelling commercial result to the city and to the downtown marketing fund ratepayer:

- **Domestic Performance:** PWT's domestic marketing campaign and media activities continue to be the bedrock of the continued growth of our tourism sector. Our approach is founded upon the promotion of iconic events, the development of secondary events that are special to Wellington, and the promotion of the retail, café/restaurant and arts scene. This activity heavily promotes the events and establishments in which Wellington City Council has a substantial investment, as well as those organisations such as the New Zealand Symphony Orchestra that form the creative backdrop to Wellington's position as the arts and creative capital.
- **Online Advantage:** PWT's online marketing activity has seen and continues to see substantial growth in the number of people accessing information and booking Wellington accommodation and activities at [www.WellingtonNZ.com](http://www.WellingtonNZ.com); this website for visitors and prospective visitors to Wellington now enjoys very nearly three times as many visitors as any other New Zealand regional destination website. Our mobile web guide is also exceeding visitation targets and is being used again and again by the same visitors as they explore our city, with many events planned and independent travellers expected; it will be a vital tool for the city at the time of RWC2011.
- **Offshore action:** PWT's activities offshore can be divided into three parts.
  - **Assault Australia**  
In Australia, leveraging Council's investment through working with central government and strategic regional partners, we are now able to market Wellington directly to the consumer and have begun to share the story of our city in that country which will raise its profile and reputation as a destination substantially.
  - **Looking East**  
In Asia working with WIAL we look to grow the profile of Wellington and are able to place the city as a must-see part of the growing number of independent travellers' itineraries.
  - **Our Core Markets**  
In Europe and North America the investments the city has made in cultural and natural attractions are of high interest to the consumer; our work here is all about making sure that the travel trade, guide book writers and media always recommend that these high spending travellers spend longer exploring Wellington.
- **Meet Me in Wellington:** Wellington continues to hold its own as a convention destination despite its facilities being poor relative to other Australasian destinations. Working together with the Wellington Convention Centre, Te Papa, Wellington Regional Stadium and industry, our successful sales efforts through our Wellington Convention Bureau focuses on other city attributes and attractions that can create a great convention event. The bureau provides an independent source of knowledge and assistance for convention planners that is highly respected and pulls all these jigsaw pieces together. We will in this year look to the

outcomes delivered by the recent 'venues review' to guide our working with these venues even more closely to improve the sales result for Wellington.

- **I See our i-SITE:** Our i-SITE operation continues to operate to a neutral cost position but we have increased service levels by opening on public holidays, operating a cruise bus shuttle service between the port and the city and providing i-SITE staff on Brandon Street/Lambton Quay to help visitors make the most of their time in Wellington on cruise ship days. We have also commenced operation of an i-SITE aboard the Interislander vessel Kaitaki; this boat carries 70% of tourists crossing the Cook Strait and provides our team with the opportunity to make sure visitors enter Wellington with the best possible knowledge. Importantly we can also enjoy this new revenue stream as travellers book their accommodation in the city, including our new Waterfront Motorhome Park.
- **The Whole is Greater than ...:** Together these investments and activities that the Trust undertakes on behalf of the city ensure that the Wellington message is heard across New Zealand and, increasingly, the world beyond.

Our ability to work in a coordinated fashion across all of the city's public and private investments is the envy of every other region in New Zealand and the investment made by the private sector and the Councils of neighbouring districts and regions is unmatched in New Zealand.

Of course the Trust also must invest in its people and support structures to ensure the legacy that has been created is continued into the future:

- The Trust's ability to retain and enhance the development of its staff is central to its organisational health. The Trust has enjoyed a year of high stability in its staff and the Wellington industry is highly trusting of the chief executive and the senior leadership team and their ability to in partnership constantly move the sector forward in our city and region.
- As marketing and development programmes grow, so does the Trust's need to maintain a solid administrative and infrastructural support base. Maintaining IT networks and databases are critical to the organisation's health and capability.
- We continue to carry out and advocate for better regional tourism research so that we can make better decisions about our activities and offer the best advice regarding tourism investment opportunities in Wellington.

Any reduction in the core funding of PWT would challenge this position and would mean that more funding would be required to each individual organisation / establishment / event in the city to market their activity and this would happen in an uncoordinated fashion.

### **3.6 Risk Management and Mitigation**

The major risks that the Trust faces and a summary of key mitigation strategies are presented below. The Trust maintains an active Risk Register that is reviewed at every Board Meeting.

#### **3.6.1 Financial Risk**

##### **3.6.1.1 Limited funding**

The Trust seeks to protect, grow and diversify its funding base to ensure that it can continue to make a positive contribution to the achievement of Wellington City's strategic objectives.

Risks include the failure of funding to keep pace with increased costs of staff and marketing inflation and the cost of service delivery. As noted above the global economic crisis and New Zealand's economic recession will put further pressure on funding sources.

PWT receives no annual inflation adjustments as part of its funding. In real terms, its market reach and ability to pay competitive salaries is reducing.

Mitigation measures we employ:

- Review all funding options/methods available to the Trust.
- Maximise funding diversity.
- Continually review the return on investment of all marketing initiatives and assess those initiatives against new opportunities to ensure the best outcomes are delivered to all stakeholders.
- Seek annual CPI inflation adjustments with funding, particularly in key areas of the organisation, notably salaries.

### **3.6.1.2 Limited financial flexibility**

The Trust employs prudent financial controls to match expenditure with income. The Trust retains a small cash reserve to provide for any variations in funding streams or changes in the timing of project expenditure.

The relatively low cash reserves position puts some constraints on financial flexibility. While this ensures that the Trust works closely with Wellington City Council on funding issues, it also provides little scope for the Trust to manage changing working capital demands or other financial pressures.

The Trust is planning to operate on a breakeven basis after depreciation in the 2010/11 year. The Trust will retain a cash reserve to a maximum of \$250,000 for extraneous ‘one off’ events or emergencies such as the loss of private sector funding.

Mitigation measures we employ:

- Regular dialogue with marketing partners and partner organisations/ agencies.
- Rigorous cost management.
- Monthly Revenue / Expense forecasting.
- Budgets for each operational area are written on a per project basis, enabling return on investment analysis to be carried out to determine the effectiveness of individual actions within the annual activities of the Trust.

### **3.6.1.3 Private sector partnerships**

The Trust has well established funding partnerships with a range of private sector operators. This enables a far higher level of marketing activity than could be sustained by Council funding alone. This demands a high level of commercial accountability in addition to demonstrating the broader economic returns to Council. An example of this commercial accountability would be when a partner in a particular programme is provided with a breakdown of the activities carried out by the Trust that have assisted that individual partnership. This might take the form of, for example, a lead generation report to a convention bureau partner.

The loss of private sector partnership funding is a risk. A significant share of revenue is derived from this source. External influences outside the Trust’s control can result in a change of direction for some private sector partners, as can changes in key personnel thus reducing funding for Positively Wellington Tourism marketing activity. Strategic development of partnerships means that the Trust now benefits from partnerships with around e80 commercial organisations. These partnerships ensure that the Trust is working for the development of Wellington as a destination whilst working with the commercial realities of the visitor industry.

Mitigation measures we employ:

- Close and proactive partnership management.
- Developing relationships that are more than “one deep” with partner organisations.

- Ensuring campaigns and programmes remain relevant to private sector partners and deliver commercial returns.
- Continuing to innovate with our marketing programmes and provide independent tracking measures with commercial return (e.g. Book-It).

#### **3.6.1.4 Funding for the future**

To ensure that the Trust is able to meet its Council and partner commitments, the Trust undertook a comprehensive review of all marketing activities and cost centres in 2007/08.

Based on this review, the Trust made some changes to its marketing programmes and identified some areas in the marketing mix that had been subject to significant underinvestment.

The Trust's investment in online marketing was one such area and this placed Wellington in a position of competitive risk.

As a result of this review, PWT was in 2008 granted an additional \$ 624,000 per annum to enable the City to better compete in the online marketing space.

An ongoing 'risk area' for the Trust is the extent to which PWT's online activities extend into a purely commercial space and PWT ends up as a direct competitor to other commercial operators that do not have the benefits of public sector funding.

Mitigation measures we employ:

- PWT will continue to work with Wellington City Council in relation to any potential issues.
- PWT does not exist to make a profit and any income generated via participation in the online marketing space is reinvested in core marketing activity.

In the 2008/09 year we recognised the significant risk presented by:

- Falling visitor numbers to Wellington from long-haul international markets.
- The lack of visibility of Wellington in the Australian market as a short break/convention destination.

As a result of this, PWT was in 2009 granted an additional grant by Council of up to \$1,000,000 per annum dependent upon co-investment from central government and other partners. PWT successfully lobbied government to change the focus of Tourism New Zealand activities in Australia and to bring about targeted joint venture funding to Regional Tourism Organisations. As a result of these investments, PWT has secured further funding contributions from other wider regional strategic partners (Venture Taranaki, Destination Wairarapa, Hutt City Council and Destination Marlborough), local commercial partners (Wellington International Airport, Interislander and Te Papa) and airlines (Pacific Blue and Air New Zealand).

This new investment is being utilised to significantly increase consumer awareness in Australia of Wellington as a destination and to convert this awareness to actual travel through tactical activity with airlines and other industry partners.

#### **3.6.1.5 Significant Risk for 2010/11**

##### **Regional competition**

Last year the Trust identified a market risk that now has the potential to challenge Wellington's position as the most desirable urban destination in New Zealand and our aspiration to become the coolest urban destination in Australasia.

Historically both Christchurch and Auckland have as destinations not been able to create the public/private structures in regards to creating a brand, a calendar of events and vibrancy in their city to challenge Wellington's position.

As the Auckland region transitions to a 'super-city' with effectively a single level of local government there is the potential for coordinated and well resourced activities which will threaten Wellington's position.

Mitigation measures we will continue to employ with even greater focus:

- Work together with City Council and event/arts organisations to maintain and grow the excellence and vibrancy of Wellington's events.
- Continued high level of collaboration with the city's organisations that are tourism attractions to ensure that marketing expenditure is highly leveraged and that the experiences offered retain the high level of excellence with which Wellington is associated.
- Continued emphasis on strong strategic relationships with tourism/economic development departments of neighbouring Territorial Local Authorities and their elected/executive representatives.
- Work with Wellington City Council and city institutions to create even greater consistency and penetration of Wellington's brand, brand values and the stories they tell.
- Close partnership management with existing funding partners.
- Closely monitor the activity of those regions with greatest potential to challenge our position.
- Keep our funders aware of significantly increased levels of funding made available to competitor regions.

### **3.6.2 Capability Risk**

#### **3.6.2.1 Core capability and staff retention**

PWT is committed to attracting and retaining great talent and as noted above recent changes in the executive team have been well supported. The core capability of PWT is retained in a small number of key positions and competition for talented staff is intensifying. Paying competitive salaries is key; managing staff retention and keeping staff turnover at a healthy level is a priority for PWT.

Mitigation measures we employ:

- Ensuring an effective succession planning system is in place.
- Ensuring salary levels and benefits within core management team are competitive as possible in the market.
- Ensuring staff feel appreciated and rewarded in their roles by developing a strong team culture.
- Ensuring information systems and operating procedures are maintained and documented to minimise the impact of core staff leaving.
- Salary remuneration programme operating so as to ensure market competitiveness.
- Remuneration sub committee of the Board.

#### **3.6.2.2 Advocates for Wellington**

The Trust has been able to develop a number of effective national and international partnerships. From time-to-time the organisation may be forced to take different positions on certain issues involving financial partners. This could bring us into conflict with our partners; e.g. being asked to comment on tourism or aviation issues where partners have conflicting objectives.

Mitigation measures we employ:



- Ensuring partnership management responsibilities are shared throughout the organisation and lie with more than one or two staff – meaning marketing and advocacy issues can be separated to some degree.
- Ensuring the Board and Wellington City Council clearly understand the risks associated with taking different views to our partners on specific issues.
- Maintaining a strong and consistent position that reflects that Positively Wellington Tourism exists to serve the “big picture” interests of Wellington.

### **3.6.3 Market Risk**

#### **3.6.3.1 Commissionable products**

Growing Wellington’s product offering and enhancing the value of the visitor experience is fundamental to attracting increased visitor spend. While Wellington doesn’t have the “must see/must do” commercial attractions of other destinations, we do have a very strong and commissionable accommodation base; the commission that wholesalers and others enjoy from Wellington is better than they would enjoy in other New Zealand destinations.

While developing new attractions is challenging, the opportunity exists to better connect current offerings to create new visitor experiences (e.g. ZEALANDIA and the Zoo, or Carter, Wellington Museums Trust and Te Papa) by marketing, packaging and ticketing collectively. It is our plan that the groundwork that we have carried out in the 2009/10 year will come to fruition in October 2010.

PWT remains enthusiastic about being more actively involved in the product development process and in connecting product offerings/experiences. We are actively working with Wellington’s leading attractions to create “value add” visitor experiences. This includes closer collaboration with the likes of ‘ZEALANDIA: The Karori Sanctuary Experience’ and Carter Observatory. During 2010/11 the investment we have made in enhancing our website event pages will allow PWT to further manage its marketing activities to support a wider set of events that take place in Wellington city throughout the year.

In particular regards to ‘ZEALANDIA The Karori Sanctuary Experience’, PWT will engage under its Memorandum of Understanding both at a strategic and operational level to ensure efficiency, skills, coordinated media buying and partnership leveraging are maximised in order to make the most of the opportunity for the Karori Sanctuary Trust to deliver visitor number forecasts.

PWT is also working with Grow Wellington in the food, wine and cuisine space and planning is well underway for the second year of ‘Wellington On a Plate’, a showcase of the best of regional produce in a broad cross-section of restaurants, cafés and events across the city and region. This year the marketing and media activity will extend beyond the Wellington region to other parts of New Zealand and Australia. This partnership with Grow Wellington allows that organisation to pursue its goal of enhancing the export capability of Wellington region producers whilst PWT utilises the event to build Wellington’s reputation as New Zealand’s ‘Cuisine Capital’ and to focus activity at a time of year when tourism and visitor activity has traditionally been low.

Mitigation measures we employ:

- Identify new product development opportunities based on “joining the dots” such as a ‘City Explorer Passport’.
- Secure resources to grow, develop and market new experiences.
- Closely align development activity with Wellington Regional Strategy and Wellington City Council.
- Assist private investors who have interest in bringing new tourism businesses/experiences to our city.
- Work with partners, events and investors to continually create new reasons to visit Wellington.

### **3.6.3.2 Air access and transportation links**

Air access is critical to growth. PWT has adopted a “high level” view of this. Direct long-haul air connectivity is a WIAL, City and Grow Wellington goal and PWT supports this. PWT also supports the protection and growth of trans-Tasman air capacity and the possibility of long-haul indirect services.

Mitigation measures we employ:

- Maintain active working relationships with all airlines that operate to and from Wellington, and support their marketing programmes at a tactical level.
- Maintain active working relationships with all airlines that operate to and from New Zealand.
- Retain ongoing contact with WIAL to understand their business objectives and support those objectives as appropriate.
- Work closely with WIAL to together support new routes and increased frequency of departures from all ports into Wellington.
- Maintain close working relationships with other national transportation providers – rail, coach, ferry etc; if Wellington is capacity constrained in aviation terms then we need other ways of channelling travellers to and through our destination.
- Continue to seek regional funding to take advantage of long haul flight opportunity.

### **3.6.3.3 Convention/Event facilities**

Large purpose-built convention and event centre facilities that compete effectively with other regions are required. The convention market alone is worth in excess of \$100m per annum to Wellington. There are growing market risks around Wellington’s existing convention centre facilities being uncompetitive.

There are also direct linkages between attracting additional air services and creating a business environment that will attract investment in new visitor products and services, and the development of convention facilities.

Mitigation measures we employ:

- Continue to review and assess the case for new convention/event facilities.
- Identify opportunities for developing new convention/event facilities.
- Promote city attributes and attractions that can create a great convention event regardless of core event capacity.

### **3.6.3.4 Event Marketing**

Events have played a vital role in developing Wellington’s brand. The capital boasts a high calibre event programme, including the New Zealand International Arts Festival, the NZI Sevens and the Montana World of WearableArt™ Awards Show. These three events contribute a combined total of \$36.8 million to the Wellington economy per annum. PWT directly invests \$680,000 marketing these and other events domestically.

PWT’s event marketing programme has strong links to Wellington City Council’s Events Strategy. Council invests significantly in event development. PWT complements this investment by promoting and marketing a wide range of events through both targeted and generic marketing activity. PWT is heavily involved in the decision-making process relating to events and has supported the establishment of the Event Development Fund and its growth over the years. A

strong spirit of cooperation exists in this area and PWT has a strong commitment to marketing events that are receiving development support.

Increasingly PWT is finding it more challenging to increase or widen marketing activity in the event area within existing financial resources. Given Wellington's leadership position in the event area, PWT is concerned that any reduction in competitiveness in this area could have negative impacts on the city's event programme and the economic gains made from it.

Mitigation measures we employ:

- In the short term we can adjust media schedules within the New Zealand Marketing Campaign to free up additional resource for event marketing.
- Seek additional funding or sponsorship to enable an increase in activity.

### **3.6.3.5 Support infrastructure**

The Regional Visitor Monitor is indicating that support infrastructure such as signage, parking and campervan facilities are not meeting market expectations and demand. If not done well, these issues can impact on overall visitor satisfaction. If satisfaction is not at high levels then it could have implications on visitor growth and stay in the medium to longer term.

Facilities and arrival experiences for the increasing number of cruise visitors is also a risk, although much has been achieved through the summer season of 2009/10 through the ongoing provision of shuttle bus services by PWT and WCC between the port and city, and locating of staff in the Brandon Street/Lambton Quay area. As we look forward to RWC2011 these matters become of urgent importance.

Mitigation measures we employ:

- Advocate for visitor signage policies.
- Advocate and facilitate the development of appropriate parking and public toilet facilities for visitors.
- Advocate and support the development of better cruise visitor transport to and from the Aotea Terminal.
- Work with Cruise NZ, Centre Port and WCC in development of long term solution.

### **3.6.3.6 i-SITE Visitor Centre**

The Wellington i-SITE Visitor Centre is operated by PWT.

We believe the current i-SITE experience does not fully align with Wellington city's overall market position as a creative and innovative city, and that there is risk that the many independent travellers who will arrive in our city for RWC2011 will not be inspired to stay and make the most of their time with us.

The Trust has previously indicated to Council that there are other locations which may be significantly more favourable to its current location. As a result, PWT has been looking at either relocating the centre close on the Wellington waterfront.

Mitigation measures we employ:

- We are actively reviewing the i-SITE visitor model and location to better reflect Wellington's sense of place and to upgrade the overall visitor experience
- Consider various investment options (from within the Trust's funds) in the 2010/11 year to ensure the visitor experience in the i-SITE in Wellington is second to none in New Zealand by the opening of RWC2011.
- Work with Wellington City Council, Wellington Waterfront and Te Papa on relevant development options that will better meet the requirements of developing the Wellington visitor experience in the future.

### **3.6.3.7 Environmental and sustainability issues**

Environmental and sustainability issues continue to become increasingly important to us all as individuals, organisations and communities. These issues create particular challenges in the tourism sector. Issues surrounding global warming, sustainability and tourism's impact on it will grow. The industry will need to embrace these market shifts and ensure that it has strategies in place to deal with issues such as carbon emissions. Collaborating with Wellington City Council and other affiliated organisations on these issues will be critical to ensuring a collective response on these issues.

Mitigation measures we employ:

- Understand key issues and impacts and monitor developments.
- Integrate issues and responses to them into strategies and plans.
- In 2010/11 we will undergo Qualmark-Enviro accreditation assessment and this will provide us with a tourism industry standard benchmark against which to grade our performance in future years.
- Identify areas in which Wellington can take a leadership role.
- In 2010/11 PWT will, alongside Wellington City Council, look to ways in which it can manage its activities in order to minimise the cost impact of the introduction of an Emissions Trading Scheme at some point in the near future.

### **3.6.3.8 External factors**

External economic factors and other macro events - e.g. fuel prices - can have a major influence on visitor numbers. Such events could seriously impact on the tourism sector and have a significant impact on the Trust's ability to generate revenue from its i-SITE (which operates to a cost-neutral position) and private sector partners. Softening of international visitor demand may have impacts on commercial partnerships. This will need close attention.

Mitigation measures we employ:

- Keep up to date with global/macro issues and their likely impact on New Zealand and Wellington tourism. Keep the wider industry and Wellington City Council informed as appropriate.
- Keep partners informed of global issues and the likely impacts on the market.

### **3.6.3.9 Internal Audit Function**

Positively Wellington Tourism respect that Wellington City Council may request an internal audit function as required.

## **3.7 Council Relationship Principles**

The Trust will provide quarterly reports in the agreed format to the Monitoring Sub Committee on the agreed dates and present its Summary Business Plan along with the Strategic Plan and Statement of Intent on agreed dates.

The Trust's Annual Report and audited accounts will be supplied to the Wellington City Council within 60 days of the end of the financial year.

The principles governing the relationship with Wellington City Council as its primary stakeholder will include:

- Operating on a "no surprises" basis, with open and full disclosure of information as required.

- Early advice to Wellington City Council in the event of any situation that may be potentially contentious in nature.
- Disclosing any significant transactions that are planned within the Trust's Business Plan.

Financial and operating measures will be reported on a quarterly basis including the following:

- Statement of Financial Performance
- Statement of Financial Position
- Statement of Cashflows
- Statement of Movement in Equity
- Forecast for Statement of Financial Performance
- Capital Expenditure
- Progress against operational KPIs as detailed in the Business Plan

### **3.8 Future Direction of Tourism**

Wellington tourism has been through over 10 years of positive growth. In 1999, it is estimated that the industry contributed \$679<sup>1</sup> million per annum to Wellington's economy. In 2006, the industry was worth \$1.2<sup>2</sup> billion to the Wellington regional economy. Projections indicate that this will be nearly \$2<sup>3</sup> billion per annum by 2013.

The outlook for tourism is still looking incredibly positive in that tourism will continue to be a key part of the New Zealand economy; the industry in Wellington needs to ensure that it is playing its part in planning for its future.

PWT updated the Wellington Tourism Strategy in December 2008 and this document now forms the basis of forward planning within Wellington's tourism sector. With good planning and investment, PWT believes the growth in Wellington's tourism sector can be continued, even in the more turbulent economic environment of today.

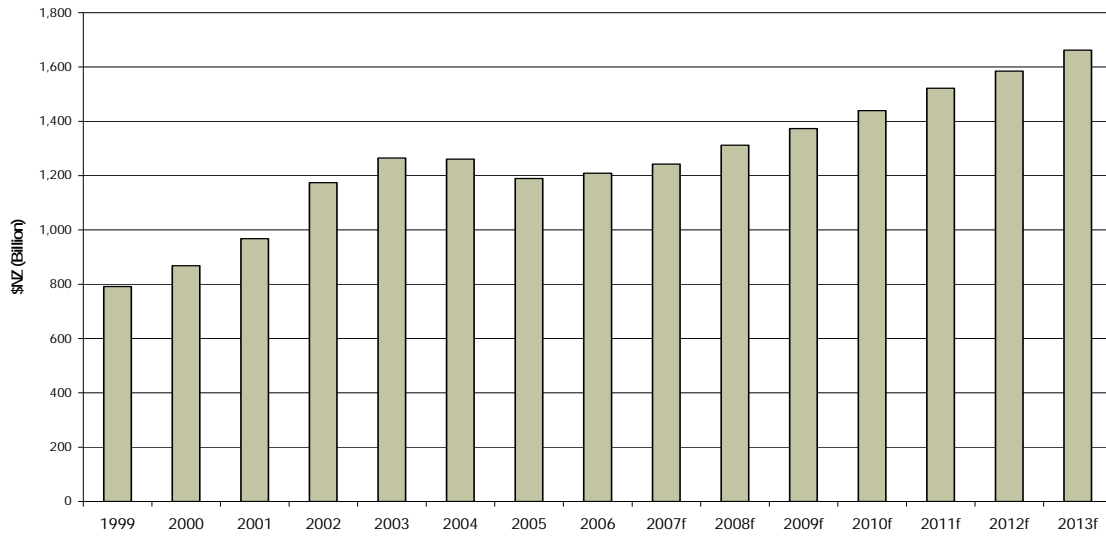
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<sup>1</sup> Tourism Forecasts 2007-2013, Ministry of Tourism

<sup>2</sup> Tourism Forecasts 2007-2013, Ministry of Tourism

<sup>3</sup> Tourism Forecasts 2007-2013, Ministry of Tourism

### Economic Contribution of Wellington's Tourism Industry



## 4 Measuring Performance

	2010/11
<b>Organisational</b>	Maintain Wellington City Council funding as less than 50% of total income.
	Maintain overhead costs as less than 13% of total activity costs.
<b>Australia Sales and Marketing</b>	Recognition of Wellington as a visitor destination in targeted regions of Australia has risen over base line research carried out by Tourism NZ in February 2010.
	Increase Australian visitor arrivals over 2009/10 levels by 7%
	Airline capacity maintained at least at 2008/09 levels and negotiations advanced to grow capacity further
<b>Convention Bureau Sales and Marketing</b>	5% increase in leads/referrals generated to Convention Bureau partners relative to 2009/10
	Maintain Wellington's C&I market share within the New Zealand market
<b>Downtown Marketing</b>	Downtown weekend visitation increased by 2% relative to 2009/10
	Increase reach of KNOW e-news (including social media channels) to Wellington Residents from 11.3% of residents to 16.7% (30,000)
<b>International</b>	Increase International visitor room nights by 2% relative to 2009/10
	Maintain Wellington's market share of international visitors to NZ relative to 2009/10
<b>New Zealand and Event Marketing</b>	Domestic visitor nights in Wellington city increased by 2% relative to 2009/10
	Weekend rooms sold in partner hotels increased by 2% relative to 2009/10
<b>Online and IT</b>	20% growth in visitors to WellingtonNZ.com relative to 2009/10
	Generate \$730K of bookings through WellingtonNZ.com
<b>Product Development</b>	Support investment groups in completing feasibility studies for product developments
<b>i-SITE Visitor Centre</b>	Increase Revenue by 3% relative to 2009/10
	Increase proportion of sales to Wellington product by 10% relative to 2009/10
	Visitors to the i-SITE maintained at least 2008/09 levels

## **5 Staff**

### **5.1 Marketing Office**

Staffing levels at the Marketing Office will be maintained at 21-22 FTEs.

### **5.2 i-SITE**

Staffing levels at the i-SITE will be approximately 9 - 11 FTEs with seasonal adjustments to deal with seasonal demand. At peak season the i-SITE could expect to have between 15 - 20 individual staff employed to cover high consumer demand periods and extended trading hours.



## **6 Trust Accounting Policies**

The accounting policies set out below have been applied consistently to all periods presented in these budgets.

The accrual basis of accounting has been used unless otherwise stated. These results are presented in New Zealand dollars and are compliant with NZIFRS.

### **6.1 Availability of Future Funding**

The Trust is reliant on Wellington City Council for a large part of its income and operates under a Funding Deed with the Council. The Funding Deed is for a period of 3 years and is extended annually for a further year.

If the Trust were unable to continue in operational existence for the foreseeable future, adjustments may have to be made to reflect the fact that assets may need to be realised other than at the amounts stated in the Balance Sheet. In addition, the Trust may have to provide for further liabilities that might arise, and to reclassify fixed assets as current assets.

### **6.2 Ratio of Total Assets: Liabilities**

Debt will not be raised to finance operating expenses.

The Trust has a policy for the ratio of total assets to total liabilities of 1.2:1.

Total assets include all fixed and current assets. Total liabilities include all current and term liabilities of the Trust.

### **6.3 Activities for which Compensation from Council is sought**

The Trust is seeking a core operational funding grant of:

- \$ 5,940,000 which includes \$26,000 (Civic Square subsidy) in the 2010/11 financial year.

### **6.4 Revenue Recognition**

Revenue is measured at fair value of the consideration received.

The Trust received grants and funding which is recognised as revenue upon entitlement as conditions, if any, pertaining to eligible expenditure have been fulfilled.

Revenue from rendering of services is recognised by reference to the stage of completion of the transaction at balance date.

Interest income is recognised using the effective interest rate method.

Revenue from the sale of goods is recognised when the entity has transferred to the buyer the significant risks and rewards of ownership of the goods.

### **6.5 Expenses**

Expenses are recognised when the goods or services have been received on an accrual basis.

### **6.6 Taxation**

The Trust does not currently enjoy charitable status provided by the Inland Revenue as such the Trust is liable to pay Income Tax as a Council Controlled Organisation. The Trust is not exempt

from indirect tax legislation such as Goods and Services Tax, PAYE or ACC and therefore is required to comply with these regulations.

## **6.7 Good and Services Tax (GST)**

All items in the financial statements are exclusive of GST, with the exception of receivables and payables, which are stated as GST inclusive. Where GST is not recoverable as an input tax, it is recognised as part of the related asset or expense.

## **6.8 Financial Instruments**

Partnership Wellington Trust Inc. classifies its financial assets and financial liabilities according to the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date.

## **6.9 Impairment of Financial Assets**

At balance date the Trust assesses whether there is any objective evidence that a financial asset or group of financial assets are impaired. Any impairment losses are recognised in the profit and loss.

## **6.10 Non Derivative Financial Instruments**

### *Financial assets*

Loans and receivables comprise cash and cash equivalents and trade and other receivables.

Trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when Partnership Wellington Trust Inc. provides money, goods or services directly to a debtor with no intention of trading the receivable.

Trade and other receivables are recognised initially at fair value plus transaction costs and subsequently measured at amortised cost using the effective interest rate method. Fair value is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date for loans of a similar maturity and credit risk.

Trade and other receivables issued with duration less than 12 months are recognised at their nominal value. Allowances for estimated irrecoverable amounts are recognised when there is objective evidence that the asset is impaired.

Cash and cash equivalents comprise cash balances and call deposits with up to 3 months maturity from the date of acquisition. These are recorded at their nominal value

### *Financial liabilities*

Financial liabilities comprise trade and other payables and borrowings. Financial liabilities with duration more than 12 months are recognised initially at fair value less transaction costs and subsequently measured at amortised cost using the effective interest rate method. Amortisation is recognised in the Profit and Loss as is any gain or loss when the liability is de-recognised. Financial liabilities entered into with duration less than 12 months are recognised at their nominal value.

## **6.11 Inventory**

Inventories held for distribution or consumption are recorded at the lower of cost (determined on a first in- first out basis) or current replacement cost. This valuation includes allowances for slow moving and obsolete stock.

## **6.12 Trade and Other Receivables**

Trade and other receivables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method less any provision for impairment.

A provision for impairment of receivables is established when there is objective evidence the Trust will not be able to collect all amounts due. The amount of the provision is the difference between the assets' carrying value and the present value of the estimated discounted future cash flows.

### **6.13 Property, Plant and Equipment**

#### *Recognition*

Property, plant and equipment consist of Leasehold Improvements, Computer Equipment and Furniture and Fittings. Expenditure is capitalised as property, plant and equipment when it creates a new asset or increases the economic benefits over the total life of an existing asset. Costs that do not meet the criteria for capitalisation are expensed.

#### *Measurement*

Property, plant and equipment is recorded at historical cost or valuation.

The initial cost of property, plant and equipment includes the purchase consideration, and those costs that are directly attributable to bringing the asset into the location and condition necessary for its intended purpose. Borrowing costs are not capitalised. Subsequent expenditure that extends or expands the asset's service potential is capitalised.

#### *Impairment*

The carrying amounts of property, plant and equipment are reviewed at least annually to determine if there is any indication of impairment. Where an asset's recoverable amount is less than its carrying amount, it will be reported at its recoverable amount and an impairment loss will be recognised. The recoverable amount is the higher of an item's fair value less costs to sell and value in use. Losses resulting from impairment are reported in the Profit and Loss, unless the asset is carried at a revalued amount in which case any impairment loss is treated as a revaluation decrease.

#### *Disposal*

Realised gains and losses arising from the disposal of property, plant and equipment are recognised in the Profit and Loss in the period in which the transaction occurs.

#### *Depreciation*

Depreciation is provided on all property, plant and equipment. Depreciation is calculated on a straight line basis, to allocate the cost or value of the asset (less any residual value) over its useful life. The estimated useful lives of the major classes of property, plant and equipment are as follows:

Leasehold Improvements	20%
Office Equipment	20-33%
Furniture & Fittings	33%
Computers	33%

#### *Intangible Assets*

Intangible assets comprise computer software and website development costs, which have a finite life and are initially recorded at cost less any amortisation and impairment losses. Amortisation is charged to the Profit and Loss on a straight-line basis over the useful life of the asset. Typically, the estimated useful lives of these assets are as follows:

Computer Software	3-5 years
Website	3 years

Realised gains and losses arising from disposal of intangible assets are recognised in the Profit and Loss in the period in which the transaction occurs. Intangible assets are reviewed at least annually to determine if there is any indication of impairment. Where an intangible asset's recoverable amount is less than its carrying amount, it will be reported at its recoverable amount and an

impairment loss will be recognised. Losses resulting from impairment are reported in the Profit and Loss.

#### **6.14 Employee Benefits**

A provision for employee benefits (holiday leave) is recognised as a liability when benefits are earned but not paid.

#### **6.15 Holiday Leave**

Holiday leave (annual leave) is calculated on an actual entitlement basis at the greater of the average or current hourly earnings in accordance with sections 16(2) & 16(4) of the Holidays Act 2003.

#### **6.16 Payables and Provisions**

The Trust recognises a provision for future expenditure of uncertain amount or timing when there is a present obligation as a result of a past event, it is probable that expenditure will be incurred to settle the obligation and can be estimated reliably.

Provisions are measured at the present value of the expenditure expected to settle the obligation discounted.

#### **6.17 Contingent Assets and Liabilities**

Contingent liabilities are disclosed if the possibility that they will crystallise is not remote. Contingent assets are disclosed if it is probable that the benefits will be realised.

#### **6.18 Equity**

Equity is measured as the difference between total assets and total liabilities. The components of equity are accumulated funds and retained earnings.

#### **6.19 Leases**

Leases where the lessor effectively retains substantially all the risks and rewards of ownership of the leased items are classified as operating leases. Payments made under these leases are expensed in the Profit and Loss in the period in which they are incurred. Payments made under operating leases are recognised in the Profit and Loss on a straight-line basis over the term of the lease.

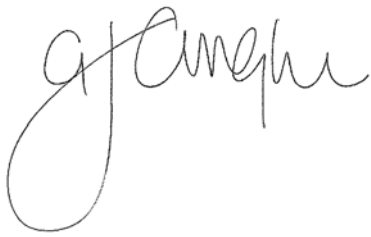
#### **6.20 Statement of Cash Flows**

The statement of cash flows has been prepared using the direct approach subject to the netting of certain cash flows.

Operating activities include cash received from all income sources of Partnership Wellington Trust Inc. and record the cash payments made for the supply of goods and services. Investing activities relate to the acquisition and disposal of assets. Financing activities relate to activities that change the equity and debt capital structure of Partnership Wellington Trust Inc.

#### **6.21 Distribution to Settlor**

Partnership Wellington Trust does not make a distribution to the Settlor.

A handwritten signature in black ink, appearing to read 'Glenys Coughlan', with a large loop at the end of the line.

**Glenys Coughlan**  
**Chair**  
**Partnership Wellington Trust**  
(On behalf of Trustees)

**Appendix**  
Financial Budgets 2010/11 to 2012/13