
REPORT 2
(12 15/52/02/IM)

REVIEW OF THE PERFORMANCE OF ALL COUNCIL CONTROLLED ORGANISATIONS FOR THE QUARTER ENDED 31 MARCH 2010

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 March 2010, 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 third quarter 2009/10 performance of Council Controlled Organisations:*
 - a) *The Basin Reserve Trust has completed the construction of the off-field practice wicket. The new facility has been rated the best practice surface in the country. The Basin Reserve is now the 11th test ground in the world to host 50 matches.*
 - b) *Capacity Infrastructure Services Limited's new Service Level Agreement has been signed.*
 - c) *Positively Wellington Tourism developed and launched its major Australian campaign with TV, online and cinema primary mediums presented in Sydney in March. The Trust worked closely with Carter Observatory and the Karori Sanctuary on the TV and online campaigns for the openings of these two new Wellington visitor attractions.*
 - d) *The St James Theatre Charitable Trust's operating position improved during the March quarter and it has now returned to a net cash position.*

- e) *Wellington Cable Car Limited has continued the preparatory work in Manners Mall for the relocation of the overhead trolley bus network.*
- f) *The Museums Trust institutions continue to perform well with visitor numbers and revenue targets higher than budget. The Trust offered a range of exhibitions and public programmes with 19 new temporary exhibitions and 37,000 visitors to its events to date. The Trust is working closely with the Council planning the Carter transition to the Trust. The transition is on schedule to be finalised on 1 July 2010.*
- g) *In a first for a New Zealand zoo, Wellington Zoo Trust's The Nest – Te Kohanga won the Large Exhibit Award at the Zoo and Aquarium Association conference, held in Australia.*
- h) *Wellington Regional Stadium Trust had a very good third quarter, hosting 15 events. The annual result is expected to exceed the revised forecasts.*
- i) *The Karori Sanctuary Visitor Centre Project was delivered on the revised budget and on time. The new visitor centre was opened by the Prime Minister on 31 March.*

3. *Note any other issues for the Chair to raise with the Strategy and Policy Committee in regard to this report.*

4. *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 on a summary basis 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)

5. Issues for the Subcommittee to consider

Council Controlled Organisations:

5.1 Basin Reserve Trust

The construction work on the off-field practice wicket was completed during the quarter. The project was largely funded by a \$450k grant from Council and was managed by the Trust. Feedback from players and team management has been very positive, with the facility rated as the best practice surface in the country. In addition, the Basin Reserve is now just the 11th test ground in the world to host 50 matches.

The Trust notes that the number of events and the attendance figures are below budget due to less than budgeted summer events.

5.2 Capacity Infrastructure Services Limited

The new SLA with WCC and HCC was signed during the quarter. In addition, Capacity has started work on benchmarking operating costs per property and anticipates producing the first report on this measure in June 2010.

At March end, the Company was 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. As at 31 March, Capacity anticipated underspending the Council's capex budget with over \$3.5 million of capex 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.

5.3 Positively Wellington Tourism (Partnership Wellington Trust)

Australian visitor numbers for the quarter to 31 March were 8.6% ahead of the same quarter in 2008 and the total domestic visitor nights show an increase of 11.6% against last year. The major Australian campaign was developed and launched in March, with TV, online and cinema primary mediums presented in Sydney. PWT worked closely with Carter Observatory and the Karori Sanctuary on the TV and online campaigns for the openings of these two new Wellington visitor attractions.

5.4 St James Theatre Charitable Trust

The third quarter was a very successful period for the Trust with the International Festival of the Arts attracting high attendances. The St James Theatre hosted five productions including Festival with Sutra, Good Morning Mr Gershwin and the RNZB's From Here to There. The Opera House also held eight performances including The Arrival, Seven Irish Tenors and Inside Out.

The Trust's operating position improved during the March quarter, due to higher than budget trading income and operating costs being less than budget. As a result, the Trust has now returned to a net cash position.

The proposal to merge the operations of the Trust and the Wellington Convention Centre has now been approved in principle by the Council's Strategy and Policy Committee which has recommended that the Council approve it for public consultation at its meeting on 25 June.

5.5 Wellington Cable Car Limited

Third quarter passenger numbers were largely in line with the prior year and management estimates (down approximately 1%). As a result, at the end of March, year to date cable car passenger numbers were down around 4% on the

previous year. The tougher trading conditions are thought to be primarily due to the inclement weather and tough economic conditions.

In regard to the overhead trolley bus network, funding agreement discussions are continuing with regional council, but the budget for 2010/11 has been verbally agreed upon. The Company also continues to work with the other participants on the report of the Trolley Bus Technical Review Group and further preparatory work in Manners Mall has continued.

5.6 Wellington Museums Trust

During the quarter the City Gallery Wellington successfully closed *Yayoi Kusama: Mirrored Years* exhibition and launched the *Festival Season*. Over 126,000 people have visited the Gallery since opening. Other Trust institutions performed strongly with visitor numbers ahead of budget. The Trust offered a range of exhibitions and public programmes with 19 new temporary exhibitions and 37,000 visitors to its events to date.

The Trust has recorded higher than budget revenue due to the successful *Yayoi Kusama: Mirrored years* exhibition at the City Gallery Wellington. This is partly offset by higher security and host wages. The Trust is tracking above YTD budget, showing a surplus of \$87k against the budgeted deficit of \$186k.

The Trust is working closely with the Council planning the Carter transition to the Trust. The transition is on schedule to be finalised on 1 July 2010.

5.7 Wellington Waterfront Ltd

The Company worked with officers to develop the draft 2010/11 Waterfront Development Plan and also presented an update to the Strategy and Policy Committee on the Queens Wharf master plan. A further update on the progress of the master plan, and the presentation of business cases for the proposed tensile fabric structure and the ice-skating rink are planned for late August.

A visit of Wellington Waterfront Limited and Wellington City Council representatives to Beijing and Xiamen to negotiate and finalise an agreement for support for the proposed Chinese garden in Frank Kitts Park took place in June.

5.8 Wellington Zoo Trust

In a first for a New Zealand zoo, The Nest – Te Kohanga won the Large Exhibit Award at the Zoo and Aquarium Association conference, held in Australia. A royal albatross was successfully treated at The Nest and released, receiving very positive media attention for the Zoo. In addition, a new female emperor tamarin was acquired from the UK. When the quarantine period is over, she will be paired for breeding with the Zoo's male emperor tamarin.

Mojo 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.

Year to date to March, visitor numbers are 1% above last year and almost in line with budget, with March numbers particularly strong. For example, Children's Day was very successful, attracting 3,227 visitors compared to 1,887 last year.

Other Organisations:

5.9 Wellington Regional Stadium Trust

Wellington Regional Stadium Trust had a very good third quarter. The Stadium hosted 15 events, including two AC/DC concerts, two play-off matches for the Wellington Phoenix and the Sevens rugby competition.

The Trust is tracking above budget and expects the annual result to exceed the revised forecast income of \$15.8m and surplus of \$2.7m (the original budget was for income of \$14.2m and a surplus of \$1.6m). It is worth noting that the business plan (included in the Statement of Intent report) estimates that the net surplus for 2009/10 is likely to be in the order of \$3.7m.

Total attendance for the quarter was 287,142 patrons, including 60,443 patrons at the two AC/DC concerts, 69,000 patrons over the two days of the Sevens tournament, and 87,436 patrons at the five Phoenix games, including the two play-off matches. Although Super 14 rugby attendances have declined compared to the prior year, attendance was in line with budget for matches held in the quarter.

The Trust continues to meet regularly with the Regional Coordination Group and Rugby New Zealand 2011 as part of Rugby World Cup preparations. In addition, the Trust provided turf management services worth \$76,322 to Basin Reserve during the quarter.

The Trust remains in discussions with the contractors over the roof and cladding issues. The court proceedings are progressing, albeit slowly. During the quarter, the Trust updated its Business Continuity Plan (following the Marsh risk assessment analysis) and is currently in the process of selecting an architect to work on its long term capital development plan to ensure the Stadium remains a world class facility.

A Berl report commissioned by the Trust to mark its ten year anniversary was released during the quarter. The report concludes that the Stadium has generated \$484m for the local economy in its first ten years of operation (\$52.4m annually over the past five years), more than double the original stadium feasibility study estimate. Of the Stadium's 5.4m visitors, over 1.1m have come from outside the Wellington region, and audience levels are around 50% higher than the most optimistic forecasts when the Stadium was built. The report found that the Stadium has created the equivalent of 673 full-time equivalent positions over the past ten years, relative to the original estimate of 270 positions.

5.10 Wellington International Airport Limited

For the year ended March 2010, total passenger numbers were down 2.6% relative to the prior year. International passengers were up 2.6%, trunk passengers fell 1.6% and regional services passengers declined 7.1%. In each case, the result reflected the level of airline competition in the relevant market. By the end of the year, Wellington's traffic was stable and airline capacity and schedule plans indicated that modest growth could be anticipated for the next year.

In January 2010 the Airport published its 2030 Master Plan following extensive consultation.

The Rock international terminal development remains on track for completion later this year.

5.11 Karori Sanctuary Trust

The Visitor Centre project was completed during the quarter and it was opened by the Prime Minister on 31 March. In its final project monitoring report, Dean Riddell reported that the project was finished in an excellent position based on the revised budget and revised timeline. Visitor centre operation activities including retail operations, policies and procedures and the new café operation were finalised and implemented in this quarter. The Trust has been voted one of the top 75 tourism companies in the world by the Guardian (UK).

Visitor numbers are slightly below target for the quarter due to wet/windy weather and a week's closure prior to the Visitor Centre opening.

The Trust continues its successful conservation programme.

6. CCO Team Forward Work Programme

With the review of the 2010/11 Statements of Intent from the CCOs now complete, it was considered timely to update the forward work programme outline for the CCO team.

The CCO team's current priorities are:

- Working through a process of addressing the potential to consolidate a range of CCO back office functions within a shared services environment;
- Considering and resolving issues arising from the transition of Carter Observatory to the Wellington Museums Trust from 1 July 2010;
- Continuing to monitor the performance of Carter Observatory once it is part of the Wellington Museums Trust;
- Drafting consultation documents for the proposed merger of the St James Trust and the Wellington Convention Centre and establishing a CCO framework for the new entity;

- Facilitating the current review of Capacity Infrastructure Services Limited. Further action points are likely as a result of the final report once it is available; and
- Monitoring and following up on monthly reporting from Karori Sanctuary Trust management, now that the new Visitor Centre is open.

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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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's 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.