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**REPORT 2**  
*(1215/52/02/IM)*

## **2011/12 LETTERS OF EXPECTATION TO COUNCIL CONTROLLED ORGANISATIONS**

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### **1. Purpose of Report**

To seek the Committee's consideration and input into the key messages for the 2011/12 Letters of Expectation to Council Controlled Organisations (CCOs).

### **2. Recommendations**

Officers recommend that the Subcommittee:

- 1. Receive the information*
- 2. Agree to confirm the key messages to be included in the 2011/12 Letters of Expectation to Council Controlled Organisations*
- 3. Note that officers will prepare formal 2011/12 Letters of Expectation incorporating the directions of the Subcommittee for signing by the Chair of this Subcommittee*
- 4. Note that the Subcommittee can expect to receive draft 2011/12 Statements of Intent, alongside officers' analyses, for its consideration at its meeting in April 2011.*

### **3. Background**

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

The draft timetable for approval of 2011/12 Statements of Intent is outlined in the table below:

<b>Item</b>	<b>Date</b>	<b>Comment</b>
CCOPS input into 2011/12 LoEs	16 December 2010	Officers receive CCOPS feedback and incorporate it into final letters
LoE sent to CCOs	31 January 2011	Letters to be signed by Chair of CCOPS
Draft SOIs received by officers	1 March 2011	Statutory deadline
Draft SOIs presented to CCOPS	April 2011	Officers analyse SOIs and provide advice to CCOPS
Feedback on draft SOIs provided to CCOs	April 2011	Letters to be signed by Chair of CCOPS
Final SOIs received by officers	16 May 2011	
Final SOIs presented to CCOPS	June 2011	If CCOPS approves the final SOIs, it will recommend that SPC adopts them
Final SOIs provided to Strategy & Policy Committee (SPC) for approval	Before 30 June 2011	SPC is the Committee responsible for formal approval of SOIs

#### **4. Discussion**

The 2011/12 Letters of Expectation will be split into three parts:

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

#### **4.1 General Issues**

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

- Rugby World Cup 2011 (RWC 2011) is the Council's number one priority for 2011/12. Each CCO should be well advanced with its planning for RWC 2011 and how its planned activities will integrate with the Council's own activities. Each CCO will be asked to provide a clear outline of its planned activities for RWC 2011.
- There will be no grant increases to CCOs in the 2011/12 financial year.
- The Council faces increased cost pressures and the impact of the settlement of weathertight homes means that Council grant funding for CCOs will more than likely be static over the medium term. In the same way that the Council must look to increasing efficiencies to maintain services, officers will be instigating a process with each of the CCOs to review back office functions. Where there are efficiency gains to be made, officers and the CCOs will work together to identify such gains and potentially to migrate some back office functions onto Council platforms. The Council expects each of the CCOs to cooperate with this process.
- The Council has a significant investment in a range of visitor attractions and venues and contributes significantly to operating costs annually through the CCO grants. In addition, Council is the major funder of Positively Wellington Tourism. The LoE will ask each CCO to outline strategies for closer co-operation in marketing and public relations to better leverage the Council's overall investment in marketing Wellington's visitor attractions.
- Each CCO should revisit its key performance indicators (KPIs) to ensure that they are still relevant and appropriate in judging the performance of the CCO in relation to its objectives. Each CCO is expected to work with officers to agree a focused set of KPIs.
- Each CCO will be requested to articulate the risk management processes that underpin its operations and identify the five key risks for its business and how these are managed.

#### **4.2 Specific Issues**

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

<b>CCO</b>	<b>Key issue</b>
Basin Reserve Trust	<ul style="list-style-type: none"> <li>• Asset renewals and maintenance</li> <li>• Financial sustainability</li> <li>• Maximise event opportunities through relationship with Council's Events team</li> </ul>
Capacity Infrastructure Limited	<ul style="list-style-type: none"> <li>• Provide updated plans with respect to a potential information systems strategy</li> <li>• Provide updates on water conservation and demand management strategies and emergency response strategies (including emergency water availability)</li> <li>• Continue to develop benchmarking metrics and improve performance monitoring</li> </ul>
Karori Sanctuary Trust	<ul style="list-style-type: none"> <li>• Detailed financial projections including visitor numbers, revenue targets and loan repayments</li> <li>• Expectation that the increased levels of monitoring as requested by SPC will be maintained and include more detailed information on visitor numbers and revenues</li> <li>• Close working relationship with other visitor attractions and CCOs</li> </ul>
Positively Wellington Tourism	<ul style="list-style-type: none"> <li>• Review of KPIs to identify critical measures</li> <li>• Significant focus on promotion and support to the Council CCOs</li> <li>• A detailed review of the objectives, plans and funding of the Long Haul Strategy</li> <li>• Update on plans for final year of Australian funding</li> </ul>
Wellington Venues Limited	<ul style="list-style-type: none"> <li>• Set KPIs for the new business</li> <li>• Strategic and business plan</li> <li>• Risk management assessment</li> </ul>
Wellington Cable Car Limited	<ul style="list-style-type: none"> <li>• Strategic update on measures to address recent declines in cable car passenger numbers</li> <li>• Continued coordination with other stakeholders in the Kelburn tourist precinct</li> <li>• Plans for the redevelopment of the Kelburn terminal</li> </ul>

	<ul style="list-style-type: none"> <li>• Update on issues such as user charges on poles for the overhead trolley bus network and the technical review group</li> </ul>
Wellington Museums Trust	<ul style="list-style-type: none"> <li>• Key outcomes of the Strategic Review and, in particular, how the Trust will fully fund depreciation</li> <li>• Trust proposals as to how to resolve the ventilation issues with respect to the City Gallery</li> <li>• Revised plans for the collection store project and Plimmer's Ark relocation</li> </ul>
Wellington Waterfront Limited	<ul style="list-style-type: none"> <li>• Ongoing financial sustainability of Waterfront development</li> <li>• Queens Wharf master plan</li> </ul>
Wellington Zoo Trust	<ul style="list-style-type: none"> <li>• Update on the remaining term of the ZCP and the associated fundraising strategy</li> <li>• Trust plans to improve the financial sustainability of the Zoo and continue to decrease the reliance on Council funding</li> </ul>
Westpac Stadium Trust	<ul style="list-style-type: none"> <li>• Nothing specific</li> </ul>

## 5. Next Steps

Officers will incorporate the feedback from the Subcommittee on the draft key issues into the compilation of formal Letters of Expectation. These will be signed by the Chair of CCOPS before the end of January 2011.

Officers will ask CCOs to submit draft 2011/12 Statements of Intent by 1 March 2011, in accordance with the statutory deadline. These will be presented, along with officers' analysis and comments, to the CCO Performance Subcommittee (CCOPS) at its meeting in April. Comments on the draft SOIs from that meeting will be provided to CCOs, with a view to final SOIs being presented for approval to CCOPS and SPC Committees in June 2011.

Contact Officers: *Natasha Petkovic-Jeremic, Portfolio Manager, Council Controlled Organisations*  
*Maree Henwood, 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. CCOs are required to state in their Statements of Intent how they contribute to Council's strategic goals.*

### **2) LTCCP/Annual Plan reference and long term financial impact**

*Please refer to the individual covering report that prefaces each entity.*

### **3) Treaty of Waitangi considerations**

*This report raises no new treaty considerations. Where appropriate the entities do consult with the Council's Treaty Relations unit, and with the Tenth's Trust, as part of normal operations.*

### **4) Decision-Making**

*This is not a significant decision.*

### **5) Consultation**

#### **a) General Consultation**

*Officers have liaised internally with relevant Directors in the formation of this report.*

#### **b) Consultation with Maori**

*See section 3, above.*

### **6) Legal Implications**

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

### **7) Consistency with existing policy**

*This report is consistent with existing WCC policy.*