
REPORT 1
(1215/52/02/IM)

REVIEW OF THE PERFORMANCE OF ALL COUNCIL CONTROLLED ORGANISATIONS FOR THE QUARTER ENDED 31 DECEMBER 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 December 2010, in compliance with the Local Government Act 2002 and Council reporting requirements.

2. Recommendations

Officers recommend that the Council Controlled Organisation Performance Subcommittee:

1. *Receive the information.*
2. *Recommend that the Strategy and Policy Committee notes the following matters with regard to the second quarter 2010/11 performance of Council Controlled Organisations:*
 - (a) *The Basin Reserve Trust continues its efforts towards securing a naming rights sponsor for the venues. During the quarter progress continued on the asset review which is due in early 2011.*
 - (b) *Year to date, Capacity Infrastructure Services is underspent relative to budget on capex for Wellington City Council. The Company expects that the capex work will be completed and the budget will be fully spent by the end of the year.*
 - (c) *Positively Wellington Tourism continues to work closely with Rugby New Zealand 2011 and visitor attractions to ensure Wellington is prepared to maximise the national activity and investment as much as possible.*
 - (d) *The second quarter was successful for the St James Theatre Charitable Trust with performance numbers above budget for the St James and in line with budget for the Opera House.*

- (e) *During the second quarter, Wellington Cable Car Limited commissioned a passenger survey to obtain data on passenger trends and executed a long term funding agreement on the trolley bus overhead network with Regional Council.*
 - (f) *Overall, visitor numbers for Wellington Museums Trust in the second quarter were 176,692, above its quarterly target. Museum of Wellington and Cable Car Museum performed particularly well; however, Carter Observatory and City Gallery visitors were well short of their targets.*
 - (g) *Council considered a report on a proposed review of Wellington Waterfront Limited at its meeting of 15 December 2010. As a result, Council officers undertook a comprehensive review to report on the options for the future of Council's Waterfront Implementation Agency. The Strategy and Policy Committee considered the report at its committee meeting on 17 February and voted for a reduced status quo option to retain Wellington Waterfront Limited as a Council-Controlled Organisation.*
 - (h) *The Zoo's year to date visitor number total of 97,266 is ahead of target and last year. Wellington Zoo Trust management attribute this to favourable word of mouth and press around new exhibits and the Zoo experience, and changes to the marketing program.*
 - (i) *Wellington Regional Stadium Trust is tracking above its budgeted surplus year to date. The Stadium has hosted thirty events, with total attendance of 233,301.*
 - (j) *Karori Sanctuary Trust's visitor numbers for the quarter were 28,885, which were below budget by about 8,000. ZEALANDIA won the international Virgin Holidays Responsible award for best conservation of wildlife and habitats.*
 - (k) *The Transition Working Group made steady progress in the establishment of the new Venues Council-Controlled Trading Organisation. On 1 February 2011 all of the activities of Wellington Convention Centre transferred to the new entity, Wellington Venues Limited.*
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
Partnership Wellington Trust (Positively Wellington Tourism)
St James Theatre Charitable Trust*
Wellington Cable Car Ltd
Wellington Museums Trust
Wellington Waterfront Ltd
Wellington Zoo Trust

* St James Theatre Charitable Trust is currently in the process of merging with Wellington Convention Centre into Wellington Venues Ltd.

4.2 Wellington Regional Stadium Trust

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

4.3 Council Organisations

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

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 Basin Reserve Trust continues to look for a naming rights sponsor and is exploring other ways of generating income. The income budget this quarter was not met due to the loss of sponsorship revenue and low bookings for the Monstavision replay screen. The Trust, however, is confident of stronger interest in hiring the screen during 2011.

The Asset Management Plan is expected to be completed in February, along with an assessment of earthquake strengthening needed for the Museum Stand.

5.2 Capacity Infrastructure Services Ltd

For the year to date, Capacity is underspent relative to budget on capex for Wellington City Council. This reflects timing differences in stormwater renewals and delays in sewer network renewals, the Messines Road reservoir, the Tacy St Pump Station and the upgrading of the inlet pumping station at Moa Point. Construction work has now started on the Messines Road reservoir upgrade and the tenders for the Tacy St Pump Station have been evaluated. The Company expects that the capex work will be completed and the budget will be fully spent by the end of the year; however, officers note that this may be a challenging task to achieve.

At the end of December, the opex budget (excluding stewardship accounts) for the full year is expected to be overspent, largely reflecting reactive works and the bringing forward of some culvert cleaning work, which has the approval of Wellington City Council's Infrastructure team.

5.3 Positively Wellington Tourism (Partnership Wellington Trust)

Positively Wellington Tourism (PWT) continues to work closely with Rugby New Zealand 2011 and visitor attractions to ensure Wellington is prepared to maximise the national activity and investment as much as possible.

Work continued on the Australian marketing campaign, which is likely to focus on Melbourne for the rest of the year. The number of Australian visitors to Wellington for the quarter increased by 4.51%, compared to a 2% decline for New Zealand overall.

Wellington International Airport Limited and PWT will be attending the Routes Conference in Seoul during March as part of the long haul strategy, to promote the case for Wellington.

Lonely Planet named Wellington as the 'Coolest Little Capital in the World' and '4th Best City to visit in 2011'. In conjunction with this, PWT ran a campaign promoting the "Little things that make Wellington great".

5.4 St James Theatre Charitable Trust

The second quarter was successful for the Trust with performance numbers above budget for the St James and in line with budget for the Opera House. The good result for the St James Theatre was due to the acquisition of the Rocky Horror Picture Show that produced some strong unbudgeted income for the quarter.

Non-performance events such as meetings, product launches and conferences in the Opera House were below budget as a result of the economic downturn.

The Trust finished the quarter in a strong operating position, 8% ahead of budget year to date.

Update on Merger with Wellington Convention Centre

The new CEO for Wellington Venues Limited, Glenys Coughlan, was appointed during the quarter and took up her role on 1 February 2011.

Steady progress is being made towards finalising the Management Agreement and winding up the St James Theatre Charitable Trust. The process is running to schedule and expected to be completed in time for the start of the new financial year on 1 July 2011.

Wellington Venues Limited's back office functions have successfully been established as a shared service operation utilising the Council's back office infrastructure. A service level agreement is being developed to formalise the arrangements.

5.5 Wellington Cable Car Ltd

The cable car passenger total for the quarter was 257,180, which was 11.2% below budget, but in line with the same period in the previous year. The Company has commissioned a survey to obtain data on the lower than budget patronage trend, particularly commuters. The results are expected to be available in June 2011. During the quarter, the Company and Regional Council executed a long term funding agreement on the trolley bus overhead network.

Cable car fare income was 4% above budget for the quarter, reflecting the fare increase that was effective from 1 October 2010. The second quarter operating surplus of \$231k was well below the budgeted surplus of \$358k; however, this is largely a matter of timing. The year to date operating surplus of \$307k is only 3% below the year to date budgeted surplus of \$318k.

5.6 Wellington Museums Trust (including Carter Observatory)

Overall, the visitor number total for the Museums Trust in the second quarter was 176,692, 11,144 or 7% above its quarterly target. Museum of Wellington and Cable Car Museum performed particularly well; however, Carter Observatory and City Gallery visitors were well short of their targets. These trends are attributed to the mixed economic and tourist climate, Carter still being at an early stage of its establishment on the tourism scene, and different appeal levels of programming across the entities. The Pickering Gallery and Discovery Room project at Carter Observatory is underway and progressing to plan.

The Trust (excluding Carter Observatory) recorded lower than budget revenue and a higher than budget deficit in the second quarter; this largely reflects a catch-up from the first quarter timing differences. There is no change to the forecast full year deficit. For Carter Observatory, the year to date operating deficit is higher than budgeted, largely reflecting the lower visitor numbers and an unfavourable mix of lower than target revenue per visitor, with a greater proportion of children than budgeted.

5.7 Wellington Waterfront Ltd

Council considered a report on a proposed review of Wellington Waterfront Limited (WWL) at its meeting of 15 December 2010. As a result, Council officers undertook a comprehensive review to report on the options for the future of Council's Waterfront Implementation Agency. The Strategy and Policy Committee (SPC) considered the report at its committee meeting on 17 February and voted for a reduced status quo option to retain WWL as a Council-Controlled Organisation. This was approved at the Council meeting on 23 February 2011.

During the quarter, WWL's board of directors was reduced from 5 to 3 with the unexpected passing of the Chairman and WCC not appointing a Councillor representative to the board. One of the recommendations that SPC passed in February is to limit the size of WWL's board to 3 members.

Work continued steadily this quarter on the Wharewaka and Taranaki Street public space projects. They were completed on time, ahead of 2011 Waitangi day celebrations.

5.8 Wellington Zoo Trust

Year to date visitation of 97,266 is ahead of target by 8,245 and ahead of last year by 9,012. Zoo management attribute the increase to favourable word of mouth and press around new exhibits and the Zoo experience, and changes to the marketing program. The Roost Te Pae Manu (the new bird breeding facility) is complete from a construction contract perspective and is on time. An Iwi blessing was held in December and it was officially opened in February. The Hub (the new catering precinct in the heart of the zoo) is on time for the completion of the construction contract phase of the project.

The Trust's year to date operating surplus was \$100k against a budgeted operating deficit of \$56k. This largely reflects higher visitor revenue (driven by

above budget visitor numbers). From a Council perspective, the Zoo Capital Plan is over-budget year to date, largely due to the timing of Zoo upgrade projects occurring earlier than budgeted.

Other Organisations:

5.9 Wellington Regional Stadium Trust

Year to date the Stadium has hosted thirty events, with total attendance of 233,301. These have included nine rugby matches, including a test against South Africa, one concert (Bon Jovi), and twelve football matches, including the Boca Juniors game and the All Whites versus Paraguay 'friendly' game which attracted 16,541 on a Tuesday night. In addition, Wellington has retained the Sevens competition for the next five years.

The Trust recorded a year to date surplus of \$1.75m, compared to a budgeted surplus of \$359k. The higher than budgeted result was mainly due to unbudgeted events, such as the All Whites game, Bon Jovi and the Boca Juniors game. This is reflected in much higher than budgeted event revenue. As a result, the Trust now anticipates a full year surplus of \$2.8m (initially \$1.3m) for 2010/11.

5.10 Wellington International Airport Limited (Public Excluded)

The quarterly report for the quarter ended 31 December 2010 is attached in the appendix. Council officers have reviewed the report and note that Deputy Mayor McKinnon was appointed to the Board of Directors during the period. The report does not raise any material new issues for the Subcommittee to consider.

5.11 Karori Sanctuary Trust

Karori Sanctuary Trust's visitor numbers were 28,885 for the quarter, which were below budget by about 8,000. Included in this figure are 7,200 local visitors who responded to a marketing campaign weekend in October and received free entry to ZEALANDIA. A number of other promotions have been developed to be implemented in summer. ZEALANDIA is also working with PWT and other Wellington based operators on a "Wellington City Pass" package. Officer discussions with the Trust regarding lower-than-budget visitor numbers and visitor revenues are ongoing.

ZEALANDIA won the international Virgin Holidays Responsible award for best conservation of wildlife and habitats.

6. Conclusion

A short report prepared by officers is given for each entity's quarterly report which summarises the information for the quarter and relevant current issues. 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: *Richard Hardie, Portfolio Manager, Council Controlled Organisations, Maree Henwood, Portfolio Manager, Council Controlled Organisations and Natasha Petkovic-Jeremic, Portfolio Manager, Council Controlled Organisations*

Supporting Information

1) Strategic Fit / Strategic Outcome

These entities and projects support the achievement of a range of outcomes across most strategic areas. Where relevant, reference is made to the 2010/11 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.