

# Wellington Venues Limited



## Interim SOI and Transition Business Plan

June 2011



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## Foreword from the Chairman

I am pleased to provide this Interim SOI and Transitional Business Plan for Wellington Venues Ltd for the 2011/12 financial year.

The merger of any businesses is a demanding task for all concerned. Keeping the existing businesses stable and trading while developing a new strategy and organisation structure, integrating business systems and processes and bringing staff, key clients and business partners along requires a certain amount of juggling.

There are inevitable tensions along the way and so it is important (as the saying goes) not to be distracted by the alligators, when the initial objective was to drain the swamp.

Council had some clear objectives in mind when it took a bold and widely applauded decision back in September of 2010 to bring some of Wellington's most significant venues under one management umbrella.

The decision was based on realising savings and efficiencies as a result of a merged structure and the advantages that operating under a shared services model can bring. Equally, it was driven by the philosophy that WCC has the experience and resources to manage and maintain significant community assets, and that a high quality Board of Directors and experienced CEO would likely do a better job of growing the business in the highly competitive events market.

We have quite a journey ahead of us – one that is filled with opportunity.

This Interim SOI and Transitional Business Plan is the first step in that journey.

2011/12 is all about shaping and consolidating a platform from which we can grow.

It is our intention to strengthen the WVL business to the point that we can reduce the level of subsidy that we require from Council and add to the cultural and business vibrancy of the City.

Making sure that we can provide for community access and build community pride is also important to us.

We still have a lot of work to complete before we can table a long term development strategy for WVL. Elements of that work programme are outlined in this business plan.

I look forward to providing Council with regular updates about our progress.

Thank you for backing this new business model.

**Chris Parkin**

# 1. Introduction

## 1.1 Interim SOI

Wellington Venues Ltd (WVL) is a Council Controlled Trading Organisation (CCTO) that is being established as a result the merger of the Wellington Convention Centre and the St James Theatre Charitable Trust.

The Wellington Convention Centre business started trading as Wellington Venues Ltd on 01 February 2011. The St James Theatre business (including the Opera House) will be integrated into WVL effective 01 July 2011. Until that time, the St James/Opera House business has operated in parallel with WVL (with some significant transition/integration activity underway).

The new entity will be responsible for the management of:

- The Michael Fowler Centre
- The Wellington Town Hall
- The TSB Bank Arena
- Shed 6
- The St James Theatre
- The Opera House

As a result of the timing of the merger and the appointment of a new Board and CEO, WVL's business and strategic planning cycle is out of synch with the Wellington City Council's planning cycle.

It has therefore been agreed that WVL's Statement of Intent for 2011/12 will be treated as an interim or transitional SOI.

A more detailed SOI and three year forecast (underpinned by more substantial and in depth business analysis) will be developed for 2012/13 and will dovetail with the WCC's LTCCP process.

On the basis that the 2011/12 SOI is an interim SOI, it has been agreed to schedule monthly meetings with the Chair of CCOPs and the Chair and CEO of WVL to ensure timely and open communication about the current performance of the business and the development of the longer term strategy.

## 1.2 Establishment assumptions

The decision to establish WVL was based on:

- the potential to realise efficiency gains and savings across the two organisations (Convention Centre and St James Theatre/Opera House)
- the opportunity for greater use of WCC's shared services capabilities and capacity

- the desire to see greater integration and cooperation with other CCOs and external partners – improving efficiencies with the use of Council funds and the effectiveness of collective City marketing efforts
- the expectation that a dedicated entity with the sole focus of delivering events governed by a high quality Board of Directors and led by an experienced CEO, would likely be more successful in the competitive events market than the WCC
- the understanding that WCC is in the business of maintaining significant community assets and has the experience and resources required to ensure that the building assets are maintained for the foreseeable future

Based on these considerations, the WVL business structure has been built on two core principles:

1. WCC to hold the building assets and deliver and fund their ongoing maintenance
2. WVL to market, coordinate and deliver all event activity within the venues

### **1.3 Core business**

WVL is in the business of:

**“winning and growing more business, community and show business events to improve the performance of WVL and deliver a better return to the City”.**

It’s not just about selling venue spaces and seats. We understand that when hirers hire space or buy seats and services from us, and we work with them to deliver successful events, then they succeed and so do we.

We work alongside our hirers in five main areas:

- providing live entertainment and performing arts experiences
- hosting special government, education, business and industry occasions (e.g. awards dinners)
- supporting business and industry networking and development opportunities (e.g. conferences and exhibitions)
- providing facilities for regional, national and international sports teams to compete
- enabling civic and community performances and celebrations

### **1.4 Business objectives and community outcomes**

The Board of WVL has agreed to the following business objectives:

WVL will be driven by:

1. optimising the commercial utilisation of the venue assets under our management
2. extending the venues offering to develop new markets and improve commercial performance

3. reducing, where possible, the level of operational subsidy required from Council and the burden on the ratepayer
4. delivering dividends to Council and/or building WVL's retained earnings to enable future growth and development

In the pursuit of these core business objectives WVL also contribute to some important City outcomes:

1. adding to the cultural and business vibrancy of the City and Wellington's competitiveness as a visitor destination
2. contributing to the health of the Wellington and New Zealand economies
3. building community pride and participation through improved venue access
4. supporting the development of new and emerging creative talent

## **1.5 Growth ambitions and strategic development**

The Board of WVL has proposed some ambitious growth targets as part of delivering on these core business objectives and wider city outcomes.

One target is to double WVL's revenue over the next five years.

These targets (and the strategies to achieve them) will be detailed in WVL's three year plan. A priority for 2011/12 is to undertake the analysis required to inform these growth strategies.

Refer to section 3 for a summary of WVL's transition management activity and a description of our strategic research and development projects.

## 2. WVL's Strategic Intent

**WVL will win and grow more business, community and show business events for Wellington, improving the commercial performance of the business and delivering a better return to the City.**

To achieve this, we will excel in seven core areas:

- 1. Business health**
  - managing and improving the health and viability of the WVL business
- 2. Venue utilisation**
  - driving growth in the commercial utilisation of our assets while delivering improved community access
- 3. Duty of care**
  - respecting the special character of the venues under our management while meeting contemporary venue standards and the operational needs of our clients and hirers
- 4. Marketing edge**
  - creating a marketing edge for the business by leveraging our understanding of the needs of our clients and audiences (and competitor offerings)
- 5. Outstanding experiences**
  - delivering outstanding "end-to-end" event experiences that set Wellington apart from the rest
- 6. Performance partnerships**
  - growing and developing partnership in both the public and private sectors to enhance the performance of the business and the quality of our programmes
- 7. Venue development**
  - leading the development of new venue facilities and services to grow Wellington's share of the events market

As we enter the first year of trading as a CCTO - and based on the past few month's due diligence - we believe that the pursuit of these seven core strategies will support the Board's intent to turn the business around over the next three years and position it for further growth.

As noted elsewhere, once we have the results of the transition projects outlined in section 3, we will refine these business strategies as part of developing a longer term strategic vision and development plan.



## **2.1 Improving business health and viability**

**We are committed to managing the performance and development of the WVL team and the financial health of the WVL business.**

As a newly created entity we will take the best from past practices and develop new best practices as we shape the future.

We will focus on growing our top and bottom lines, building our revenue pipeline, exploiting efficiencies and realising cost savings as we turn the merged business around.

We will improve management disciplines in the areas of cash flow management, contracting, discounting and FOC offers.

We will be driven by developing a “can-do” culture where “good” is understood to be the enemy of “great”. Our employment policies, code of conduct and performance management programmes will reflect this.

We will retain, recruit and reward individual talent and outstanding teamwork.

We will keep our shareholder informed about our business performance and development plans in a timely and reliable way, being mindful of the governance role of the WVL Board.

## **2.2 Optimising venue utilisation**

**We will increase the commercial utilisation of the venues we manage while improving community access.**

We will be driven by winning/growing more business, community and show business events from domestic, trans-Tasman and international sources.

We will manage our bookings and programming activities to optimise venue utilisation and yield.

We will identify and grow new funding streams and partnerships that will enable us to support and improve the viability of community access (e.g. “new” PAF, WCC venue subsidies).

We will make the most of the opportunities that today’s technology offers to grow audiences and community access (e.g. video streaming of NZSO performances).

We will be active participants in developing a better funded, better coordinated event calendar that will contribute to the City’s business and cultural vibrancy and competitiveness as a visitor destination.

## 2.3 Exercising our duty of care

**We will respect the special character and heritage value of the venues under our management while maintaining contemporary venue standards. Our operating standards will be safe, competitive and efficient, and we will continue to invest in adhering to internationally recognised environmental accreditation systems.**

We are responsible for the utilisation and management of some of New Zealand's most remarkable venues.

We will promote the venues in a way that leverages their heritage and unique positioning in the market, sharing stories about the people and the passion that have helped to build them and been proud to perform and meet in them.

We will care for and maintain the venues under our management to a standard expected of our civic and cultural assets and to meet the needs of today's users.

We will get the basics right at every turn – safety, security, hygiene, technology, service – making sure that asset we operate are fit for purpose.

Our on-site support will be responsive and responsible – we'll be solutions focused.

We will have a health and safety record to be proud of and codes of compliance that both enable and protect. We will set the standard in managing our environmental footprint by maintaining accreditations like ISO, Green Globe and Qualmark.

## 2.4 Building our marketing edge

**We will understand the business drivers of our clients and the needs of their customers. Our marketing and promotional activity will build the strength of the venues brand and our new business pipeline.**

We have a world-class CRM and venue booking system and we sit on a mine of data. We will use this more intelligently to inform programming activity, marketing strategies and audience segmentation and development.

We will share our marketing and programming "know-how" to optimise audience participation and venue utilisation (without compromising commercial sensitivities).

We will strive to develop best practice operating models and working relationships – be they in ticketing and distribution, technical support, convention bureau marketing.

We will use our marketing intelligence and event know-how to secure new business and develop new markets.

We will pursue new business opportunities with a range of partners to develop products and services that will give us an edge in the marketplace and strengthen our sales pipeline.

## 2.5 Delivering outstanding experiences

**We will work with our partners and hirers to create outstanding event experiences that could only be delivered by the WVL team in the “Capital of Cool”.**

We will develop a reputation for working with hirers and our suppliers and partners to create events that deliver outstanding “end-to-end” audience experiences.

We will be known for the logistical efficiencies with which we turn our venues around. We understand that time is money and our logistical excellence will help us build our reputation as a great venue management team.

From front-of-house to back-of-house; from technical support; sound; staging and lighting; food and beverage; theming and design, we will add a touch of cool.

We will own a reputation for having a great attitude when it comes to client and customer service – reinforcing our brand values and those of brand “Wellington”.

From ticketing to ushering, from cleaning to security management we will engage with patrons, delegates, guests, cast and crew, customers and fans with an approach that is distinctively and proudly ours.

## 2.6 Enhancing performance through partnerships

**We will grow and develop partnerships in both the public and private sectors to advance the success of our business and enhance the competitiveness of Wellington as an events destination and the contribution that the events business makes to the economy of Wellington.**

We will work closely with PWT and other tourism and events partners like MED, Tourism New Zealand, the Convention Bureau and Te Papa to grow our share of the business and cultural tourism markets.

We will maintain our relationships and grow our joint venture partnerships with other venues, promoters and strategic business partners, as well as our contacts in the local and international performing arts community so that we can continue to attract live entertainment to Wellington.

We will maintain strong working relationships with the City’s Events and Arts teams and other key parts of Council – finding opportunities to work together to meet the City’s goals. We will also seek opportunities to work more collaboratively with other CCOs to make the most of the assets and talents we have in the City.

## **2.7 Leading venues development**

**We will champion the cause for upgrading our current venues and expanding our venue offering to fill gaps in the market and enhance the performance of the business and the contribution of events to the City.**

We will take a long term view of the infrastructural requirements of the sector - from purpose-built convention facilities to expanded entertainment venues – and play an active role in developing the business cases and funding partnerships required to develop new venues.

We'll get involved in debates and developments that will have an impact on our commercial success – from aviation and hotel development to the development of new attractions and local transportation infrastructure.

We will look for opportunities to expand our offering and enhance our competitiveness based on improved digital connectivity and new green business initiatives.

### 3. WVL Transition Management

The decision to create WVL was ratified by WCC on September 29 2010 and WVL came into existence on February 01 2011.

The new CEO started in the role on January 31 2011, and in the weeks since that time, has been inducted into the business, undertaken “due diligence” on the business, and developed this Interim SOI.

A comprehensive report on initial findings, by venue and management function, was presented to the Board of WVL on March 2 2011. A copy of that report was submitted to the WCC’s CCO team in March 2011.

At the March 02 2011 meeting, the Board and executive of WVL also began the process of developing the new business strategy for WVL. The same thinking has been built into the Interim SOI.

A substantial programme of work is being rolled out to:

- integrate the businesses
- determine robust business strategies for the future
- deliver on the expectations that underpinned the merger

In this section of the Interim SOI, we outline some of the projects that we are involved in.

#### 3.1 Transition activity

While Council officers and venue management have already been involved in guiding and mapping transition activity, this was done in the absence of the CEO and SOI. We are now working to link everything together.

In addition to shaping the SOI there have been three main areas of immediate attention :

1. **People:** organisation structure, capability assessment and migration of employment contracts
2. **Finance:** confirmation of new chart of accounts, developing new forecasting/ budgeting and reporting processes and confirming 2011/12 funding arrangements
3. **Business :** systems integration and development of the EBMS CRM, contracting and booking platform

With the cooperation of the WCC, we are making good progress in each of these areas but there is still a considerable amount of work to be done to manage a smooth and seamless transition and establish a new organisation structure and operating model.

### **3.1.1 People and structure**

We are working with external legal and HR advisers, and the Council's HR team on the development of an integrated organisation structure.

Part of the process is to undertake an "audit" of the current staff – roles, capabilities, job descriptions, job size and scope, pay scales and relativities. We received a proposal from Council to help with this work, and the resulting program of activity is well underway.

The audit is being used to assess current capabilities as well as identify any skill gaps. It will also inform the development of new performance management and professional development programmes, as well as remuneration plans.

It goes without saying that we need to run an inclusive and transparent consultative process to arrive at any new structure. The WVL Board signed off on the process on May 25 2011. The process was designed not only to support the merger, but to reflect the new business strategy.

### **3.1.2 Finance and accounting**

A substantial amount of work has already been undertaken to bring the two separate accounting systems into the PeopleSoft and EBMS environments.

The respective teams have done a very good job of anticipating the management, Board and Council reporting requirements of the new entity. This work needs to be further developed now that the business strategy is confirmed.

There has been a substantial amount of work involved in developing the 2011/12 forecast and 2012/13 and 2013/14 budgets (bringing two separate business systems together). And, there has been a significant work involved in determining the 2010/11 and 2011/12 operational funding requirements and St James wind up.

As noted below, the new entity will be exposed to some significant business risks as a result of contractual arrangements that were entered into prior to the establishment of WVL.

It is important that we understand the ongoing obligations that result from these contracts as we develop our forecasts and budgets for the out-years. We also need to factor earthquake strengthening programmes into our planning. If the Town Hall and Opera House are both out of action for at least 12 months, this will have a significant impact on the ability of WVL to deliver a turnaround in performance.

This Interim SOI doesn't anticipate a significant capital expenditure programme and nor are any there any major transactions planned for the next financial year. However, if we are required to construct a semi-permanent structure to accommodate conference and other business during any seismic strengthening programme, we will bring a separate business case to Council.

### **3.1.3 Business systems integration**

WVL is fortunate to have a world-class event booking and management system (EBMS). Both the St James/Opera House business and the Convention Centre use EBMS modules. Like any information system, everything rides on set up and compliance.

Work had been undertaken to begin integrating the various modules and databases that are used. And, as noted, when a new PeopleSoft interface had to be built.

Although the initial work is largely complete, the bigger task is to redesign some of our core business processes and then make sure that they can be supported by EBMS.

Standardising booking, contracting, payment plan and settlement processes is a significant piece of work, as is developing common procedures and protocols for database management and maintenance. We run two core databases – the CRM database (business hirers) and a registration database (ticket purchasers).

We also need to review our venue rates and pricing strategies to arrive at a common rate-card and standardise our pricing policies. Better use can be made of the EBMS inventory management system, both for managing access to equipment and stock management.

One of the benefits of the EBMS system is the wide range of management reports that can be generated. These reports need to be linked to WVL's core business strategies (eg. optimising venue utilisation) and KPIs (e.g yield).

There are various work streams that we are involved in to bring all of this together and in addition to mapping business processes and determining KPI reporting requirements, we are identifying training needs by user group.

### **3.1.4 Stakeholder consultation**

As part of shaping the WVL strategy we are keen to engage key stakeholders in the process.

In addition to staff and the Council, we have some significant contractual relationships with tenants and suppliers, as well as major external partnerships – e.g. with PWT and the Convention Centre.

Developing WVL's longer term strategy is dependent on engaging and consulting with our key stakeholders.

## **3.2 Business risks**

We need time to undertake a comprehensive assessment of risks to the business.

In addition to the more obvious business risks summarised below, we need to undertake a risk assessment relative to our SOI and the seven strategic thrusts that have been developed.

The strategic thrusts are the new drivers of the business, therefore we need to understand how these drivers can be used to advantage the business, and to identify any (new) risks that we might be exposed to that could impact on the business.

Current risks to the WVL business:

- **contractual** obligations entered into under previous structure
- **conditions** of compliance with earthquake strengthening (and removal of venues from our “hireable” portfolio for extended periods)
- **coordinating** the maintenance programmes of the WCC Property Group (and the City Care contracts) to coincide with the priorities and forward booking programmes of the venues
- **climate** - the current economic climate – continued pressure on corporate spend and ongoing nervousness of promoters re consumer spend
- **culture** - changes in business/organisation culture that will be required to deliver on WVL’s new business strategy
- **capacity** - constraints on aviation and accommodation capacity (including pricing) – critical to bidding for new business
- **competition** - need to better understand the WVL competitive set. There are opportunities to support Christchurch while some of their venues are out of action, but we’re not the only game in town
- **constraints** – without purpose built convention facilities we are already restricted in our ability to accommodate “relocate” business from Christchurch and when the Town Hall is taken out of commission for earthquake strengthening, our ability to bid for convention business will be severely constrained. Work is underway to make sure that we can maintain a “BAU” offering during the Council’s seismic strengthening programme.



### 3.3 Development projects

To inform the development of WVLT's business and long term development strategy, we will be undertaking some major strategy development work and commissioning a number of research projects in the 2011/12 financial year.

- **Brand strategy** – positioning the new business to optimise the performance of the existing venues and build business value. We will be adopting the “Positively Wellington Venues” brand for promotional purposes
- **Marketing and communications strategy** – developing and delivering cost effective campaign activity, raising our profile as venues of choice
- **Venue utilisation benchmarking** – understanding the “REVPAV” equation – revenue per available venue (taking operational constraints into account) to set a benchmark for optimising utilisation and yield
- **Pricing and margin strategy** – moving to a more dynamic pricing model (including seasonal rates) , reducing the use of discounting as a sales tool, improving margins through new/better service provision
- **Sales Plan** – reviewing our approach to business development now that we have a broader venue offering
- **Facilities and service development** – better understanding what we need to provide in order to compete for more and better business (“more” and “better” are defined in both commercial and economic terms)
- **Community access** – determining funding models that will enable improved levels of community access and developing new ways of delivering community access ( eg NZSO and video streaming)
- **Audience and talent development** – ensuring that we are developing a programme that will support/encourage the development of new creative talent and new audiences (link with City Arts team and other arts groups)
- **Programming strategy** – working with other key players (in Wellington and nationally) to develop a well coordinated events programme
- **Convention Bureau** – working with PWT to investigate and invest in a “best practice” model for our convention bureau, including the possibility of a joint venture in Australia
- **Partnerships** – reviewing current and potential partnerships to explore and exploit new development opportunities

### **3.4 KPIs**

The KPIs that were developed and used by the previous organisations were more output than outcome focused.

WVL will be developing a new set of performance-based KPIs to better reflect the commercial aspects of the business and the new business strategies.

A summary of the KPI framework that will be developed to monitor, manage and assess WVL's performance is provided in Section 8.

Substantial work is required to create a new "performance dashboard" and ensure that we are capturing the information required to report against the new suite of KPIs.

This will be a significant development project. New measures will be developed as part of the 2011/12 transition programme.

## 4. WVL's Functions & Intended Operations

As described in the introduction to this SOI, WVL is in the business of winning and growing more business, community and show-business events to improve the commercial performance of WVL and to deliver a better return to the City.

We work alongside our hirers in five main areas:

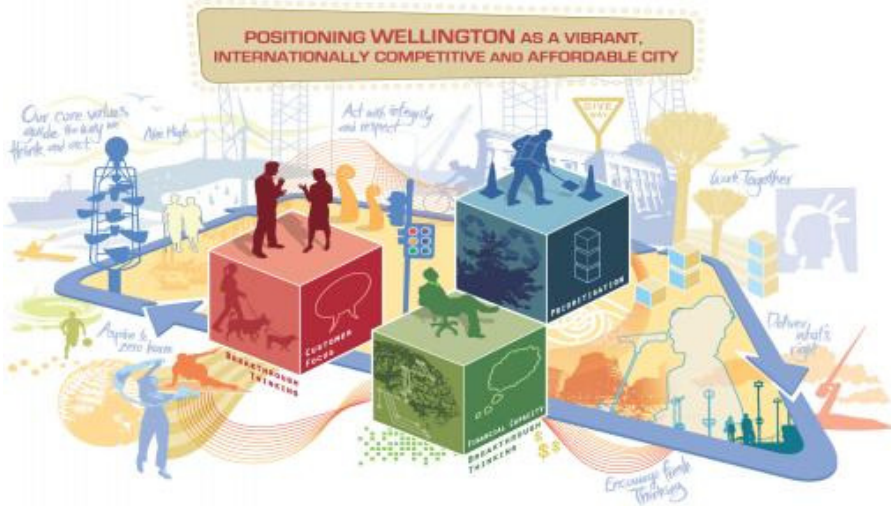
- providing live entertainment and performing arts experiences
- hosting special government, education, business, civic and community occasions
- supporting business and industry networking and development opportunities
- providing facilities for regional, national and international sports teams to compete
- enabling civic and community celebrations and performances

WVL's Constitution summarises the objectives and activities of the company as:

- manage, promote, operate and administer the venues and any related event business from time to time
- foster the holding of events and promote the use of the venues for events
- promote the acquisition, restoration, development and active use of the venues for events
- advocate for the venues and event sector(s) for the benefit of the residents of Wellington
- achieve the objectives of its shareholder, both commercial and non-commercial as specified from time to time in the Statement of Intent
- be a good employer
- exhibit a sense of social and environmental responsibility by having regard to the interests of the community within which the company operates and by endeavouring to accommodate or encourage these when reasonably able to do so, and
- conduct its affairs in accordance with sound business practice

# 5. Contribution to WCC Vision & Outcomes

Wellington City Council’s vision is to position Wellington as a vibrant, internationally competitive and affordable city.



The Council’s current Long Term Plan is build on seven strategic aims:

Strategic Area	Aim
Governance	Trust and confidence in decision making
Environment	Protecting and enhancing our environment
Economic Development	Supporting growth to enhance quality of life
Cultural Wellbeing	Shaping our unique cultural identity
Social and Recreation	Strong, safe, healthy communities
Urban Development	A compact, vibrant, attractive city
Transport	Good quality transport connections

WVL’s activities are well aligned with these strategies. WVL either contributes directly to each of these areas or has an active interest in them.

For example, this Interim SOI highlights the role of WVL in supporting economic growth and development, enhancing cultural well-being and adding to the vibrancy of the City’s urban development .

WVL also contributes to community health and well-being and has been an active supporter of various environmental initiatives. Good quality local, national and international transport connections are also core to the success of the WVL business.

In addition to keeping Council informed about our contribution to the City Vision and Outcomes (refer to the Introduction on pages five through to seven of the Interim SOI regarding WVL’s core business and community outcomes), we will provide more detail about new initiatives and development plans that contribute to the City Vision and LTCCP in our 2012/13 SOI.

## **6. CCO Partnerships**

It is early days in the life of WVL, but there are some obvious CCO partnerships that can be further strengthened and developed to deliver a better return on investment to Council, downtown levy payers and industry partners.

### **6.1 Positively Wellington Tourism**

WVL already has a well established relationship with Positively Wellington Tourism (PWT) and there are opportunities to develop this further through destination marketing activity as well as the Convention Bureau relationship.

As noted elsewhere in this Interim SOI, both PWT and WVL have an interest in looking at best practice models in convention industry marketing and expanding the Convention Bureau “footprint”. Discussions are already underway with PWT and Te Papa.

### **6.2 Wellington attractions**

We see a significant upside in engaging with a range of other CCOs – Wellington Zoo, Carter Observatory and the Museums Trust to name a few.

Not only can these CCOs offer venues and experiences that can add to WVL’s competitiveness as a conference, convention and meetings destination, but WVL can act as an additional marketing resource – attracting new customers and audiences to the City and its attractions.

### **6.3 Other partnerships**

In addition to Wellington’s CCOs, there are other partners that we should develop stronger working relationships with. These include Te Papa and Wellington International Airport Ltd as well as the Council’s City Events Unit.

With Tourism New Zealand (TNZ) and the Tourism Industry Association (TIA) located in Wellington and a range of advocacy and industry bodies like EVANZ and the Hotel Council at hand, WVL will build strong working relationships to support the achievement of our business objectives.

The same is true of working in better alignment with key Government agencies such as TNZ and the MED. Refer to Performance partnerships (section 2.6).

### **6.4 Next steps**

As noted elsewhere, the early priority for WVL was to finalise the 2011/12 budget and Interim SOI. As we shape the longer term strategy, we are keen to engage in a process of consultation with other stakeholders. We see this as an opportunity to explore how we might collaborate more actively with other entities.

## 7. Grant Funding & Shared Services

### 7.1 Operational grants

At the WVL Board meeting on March 23 2011, the Board resolved to accept operational funding from Council for a period of five months ending 30 June 2011.

This was made up of operational funding to offset the projected deficit, prepaid deposits for events that are occurring post-February 01 2011 start-up, and funds to cover accrued leave balances of WCC staff that have been transitioned into the WVL business.

WVL has almost completed negotiations for its operational grant for 2011/12.

WCC have agreed to “provide operational funding for the 2011/12 year based on the ‘business as usual’ budget, to offset any operational deficit, once agreed by the parties”.

The 2011/12 budget is as far as possible “business as usual” but accommodates five core considerations:

1. We are transitioning to a new organisation structure which requires a fair and robust consultative process with all staff – the benefits of any restructuring will take time to realise
2. We are rebuilding business systems and processes and there isn’t a “flick the switch” solution to this – it will take time to build systems that will offer efficiencies and savings
3. Part of our job (in the first instance) is to turn the trading performance of the business around and that isn’t just about cutting costs that were already significantly reduced as a result of the adverse trading environment of the past few years
4. There are immediate growth opportunities that we need to be a partner in order to deliver economic benefits to the City ( e.g. market development opportunities in Australia)
5. We need to inform the development of our long term strategy by commissioning some foundation research

Developing WVL’s 2011/12 forecast and three-year budget was not simply an exercise of adding two sets of accounts/forecasts together.

We have undertaken a significant amount of work to identify where we can achieve cost savings, agreeing what services we will be paying for under the shared services model (and the rates that we will be paying), and understanding the costs of other services – e.g. WVL is not covered by WCC’s ACC accreditation.

After the Christchurch earthquake, there are also significant changes in insurance charges – e.g. WWL insurance costs for TSB Bank Arena insurance costs that have been passed on to WV.

A “first cut” 2011/12 forecast was presented to the Board of WV on March 23 2011. A revised forecast was submitted to the WV Board for approval on April 27 2011 and we then entered into discussions with WCC. A final forecast was presented for Board approval on May 25 2011. Refer 2011/12 budget (section 9).

## **7.2 Grant funding and other subsidies**

There are five key elements to WV’s grant funding.

The St James Trust has in the past received an annual grant (\$154,175.64) towards the Opera House flying system. This will cease as WCC takes on responsibility for the bank loan currently being repaid by the St James Trust.

The Convention Centre receives an annual NZSO rehearsal subsidy and this is ongoing.

There is a “Wellington Venue Community Subsidy” that previously sat within the Convention Centre’s books that will now sit within WCC . This fund amounts to \$245,000 and will be administered by the Council’s Grants team in consultation with WV management, to support community access.

In the past, the venues have also applied to the City Events fund for support. City Events are consulting on their ‘go forward’ strategy and this may impact on the availability of this fund.

Finally, there is the Performing Arts Foundation fund. We have taken advice from Buddle Findlay in Auckland regarding the wind up of this fund and the establishment of a new Wellington Arts Fund that could operate pan-venue.

## **7.3 Shared services**

An important part of moving to the new CCTO model was WCC’s desire to move to more of a shared services model in the areas of Finance, IT and HR. Although not a “shared service” per se, WV also needs to work alongside the Council’s Property Services Group (and under the CityCare contract).

This model goes beyond sharing software platforms and includes:

- managing accounts payable/receivable alongside other finance functions such as GST and PAYE returns via WCC’s finance team
- audit
- providing IT support services via the Knowledge Services Helpdesk
- provision of IT kit (PCs, laptops, docking stations, telephone handsets)
- access to Vodafone call plans
- providing HR support services such as the skills audit we are undertaking

Work needs to be undertaken to make sure that “service level agreements” are negotiated to cover the scope of shared services and delivery standards, as well as any fees for service.

Council will be monitoring the effectiveness of this shared services model as will the Board and Executive of WVL. WVL will want to be assured that it is enjoying “best of breed” services at competitive rates.



## 8. Proposed KPIs

Our information systems (EBMS and PeopleSoft) have been set up to enable us to generate a wide range of reports. We also conduct regular surveys of customer satisfaction and staff engagement.

One of our development projects involves creating performance dash boards for management (weekly) and governance (monthly) purposes. Our quarterly reports to WCC will also be based on an agreed set of key performance indicators.

Our objective is to arrive at a “tight” and meaningful set of performance indicators that support improved management and board decision making and strategy development vs an exhaustive list of measures.

We will draw out KPIs from the following types of measures:

Strategic Driver	What will we be measuring?
Business health	<p>Financial health of the business (using standard financial metrics)</p> <p>Venue rental, JV profitability, ticketing, technical and F&amp;B revenues (with particular focus on the F&amp;B operation we run)</p> <p>Effectiveness of revised terms of trade on cash flow management (including debtor’s ledger) and discounting</p> <p>Successful transition/merger to new WVL contract and organisation structure</p> <p>Staff engagement (individual) and sense of “one team” post-merger</p> <p>Cost effectiveness of core and support services</p> <p>Cross utilisation and improved rostering of casual labour pool across the venues</p> <p>Return on assets employed (notional)</p>
Venue utilisation	<p>Revenue and utilisation per available venue (REVPVAV = revenue based on saleable inventory vs theoretical total capacity)</p> <p>Business mix (business vs show business events, performance by key revenue stream e.g. ticket sales/commission vs F&amp;B sales, audience mix)</p> <p>Audience mix – for both performing arts and business events. For business events in particular, the mix of local, regional, national and international delegates has a significant impact on the economic</p>

	<p>returns to the City. Recently released research indicates that average multi-day conference delegate spends \$725 (local delegate), \$1,419 (domestic delegate), \$4,079 (international delegate)</p> <p>Commercial vs funded access (i.e. community/subsidised)</p> <p>Success rate with funding/supporting community groups</p> <p>“Alternative access” – what we’re doing online</p> <p>Strength of forward programme across all venues</p>
Duty of care	<p>Hirer satisfaction – operational and logistical support (turn around times, support services)</p> <p>Staff satisfaction - “tools of trade” are fit for purpose</p> <p>Compliance – incident reporting, safety and compliance</p> <p>Environmental footprint – accreditation and new initiatives (e.g cargo bikes and Love NZ)</p> <p>Community pride and engagement (survey mechanism to be developed)</p>
Marketing edge	<p>Health of new business pipeline and level of (qualified) new business enquiries</p> <p>Wellington “wins” (new business secured/contracted)</p> <p>Understanding of new WVL offering (trade specific)</p> <p>Audience engagement – level of interest in WVL offering via new product sales and social media connection</p> <p>Cost of conversion (sales and marketing investment required to convert a prospect to contracted business)</p> <p>Channel effectiveness – monitoring effectiveness of different marketing channels (B2B and B2C)</p>
Outstanding experiences	<p>Hirer and audience/patron/partner feedback</p> <p>Effectiveness of staff induction and training and impact on customer experience</p> <p>Minimisation of economic/business/client impact due to seismic strengthening</p>

<p>Performance partnerships</p>	<p>Effectiveness of partnership activity – results achieved</p> <p>Introduction of new partners (e.g. show sponsors and collaboration with other CCOs to deliver added benefits/new opportunities)</p> <p>Success of “own” or “JV” shows with promoters/producers</p> <p>Introduction (or renewal of) new sponsors/funders</p> <p>Populating Wellington’s events calendar (strategically) with other partners</p>
<p>Venue development</p>	<p>Venue utilisation vs available capacity</p> <p>Lost business (commercial and economic value) as well as value of long term leads that could be secured if we have additional capacity</p> <p>Delivery of business case that supports development of purpose-built convention centre</p> <p>Investigation of expanded entertainment venue for Wellington</p> <p>Progress on development issues (air services, market development)</p>

## 9. Financials

This section of the SOI reports on three financial periods:

1. 2010/11 Out-turn
2. 2011/12 Budget
3. 2012/13 and 13/14 Forecasts

### 9.1 2010/11 Out-turn

As part of the merger process and to agree the operating subsidy for 2010/11, WVL was required to reforecast the year-end result for 2010/11.

This involved reforecasting the performance of the old “Convention Centre” business as well as the likely out turn for the St James Theatre Trust (SJT).

At the “Convention Centre”, we had experienced a very poor start to the financial year (reflective of trading conditions in the previous year as a result of the GEC). Conditions were described as the worst in the trading history of the Convention Centre. The team worked hard to realise savings to protect the bottom line.

The St James Theatre Trust had achieved a better than budget performance but when we reforecast for the year-end, it was clear that that position would deteriorate. The SJT has also held back on expenditure and filling key vacancies.

The combined out turn for 2010/11 was a five month loss of \$277k excluding depreciation.

Our submission to Council was based on receiving an operating grant of \$132,853.27 to balance the books

As it has transpired, the “Convention Centre” has performed slightly ahead of the re-forecast by about \$100k (largely as a result of securing displacement and fundraising business post-Christchurch earthquake) and SJT has tracked as anticipated.

The final out-turn is likely to be \$200k better than the reforecast, but excludes SJT wind up costs.

## 9.2 2011/12 Budget forecast

After substantial “work throughs” with WCC, the 2011/12 forecast and 2012/13 and 2013/14 budgets show an operational deficits of \$(507k) in 2011/12 and \$(198k) in 2012/13, turning to a surplus of \$127k in 2013/14.

<b>Summary of Draft Budget 2012 -2014</b>			
	<b>2011/12</b>	<b>2012/13</b>	<b>2013/14</b>
<b>Income</b>	10,349,233	10,842,499	11,362,124
<b>Direct Costs</b>	(2,397,358)	(2,559,475)	(2,678,589)
<b>Personnel</b>	(5,164,245)	(5,190,598)	(5,320,109)
<b>Marketing &amp; Travel</b>	(553,404)	(553,404)	(553,404)
<b>Other Operating Costs</b>	(2,518,758)	(2,514,190)	(2,460,235)
<b>Depreciation</b>	(222,942)	(222,942)	(222,942)
	(10,856,706)	(11,040,608)	(11,235,278)
<b>Net Result</b>	<b>(507,473)</b>	<b>(198,109)</b>	<b>126,846</b>

We have an undertaking from Council to fund the two years budgeted deficits by way of an operating subsidy. This subsidy excludes a proposed \$200k contribution to our operational asset capital expenditure requirements.

As previously stated, by 2013/14, we aim to be free of any Council operating subsidy and be in a position to fund most of our operational asset capital expenditure requirements.

### **Basis of 2011/12 Budget**

The budget starting point is essentially a consolidation of business-as-usual for the Convention Centre and St James Theatre, based on recent year actual results, excluding the cost and revenue line items which we believe will remain with Council.

### **Revenue**

The starting point for revenue is the combined forecast for the current year (to June 2011). The forecast positions for both the Convention Centre and St James are the worst for several years.

We have a level of confidence that revenue for the 2012 year will overall, be higher than in 2011. Accordingly, we have allowed for an increase in our “core” revenues (event and F&B, but excluding own shows & JV’s) by approximately 5% over 2011 forecasts.

St James event revenue recognises “Soap” and an expected proportionate increase in the number of JV’s due to (observed) promoter nervousness, which is also causing us to look at “growing our own”.

As stated above, this budget version excludes St James tenancy revenue ( to be resolved with WCC).

Sponsorship/grant revenue in the St James is also budgeted to decrease materially, largely related to the removal of the WCC grant funding associated with the flying rig loan, which Council are taking over. Other revenue line items across the two businesses, including MFC car park revenue, ticketing commissions and miscellaneous revenues have been budgeted as either relatively constant or showing small incremental increases.

Relative to average revenue over the last 3 years, the Convention Centre target represents a 5.7% improvement and the St James target is neutral (after adjusting for the drop-off in sponsorship/grant revenue).

An additional \$200k revenue has been budgeted in the Convention Centre as a direct consequence of taking a more commercial approach to some pricing decisions. This will be achieved through a combination of reduced discounting and improved direct cost recoveries. A further \$100k revenue recovery from Council has been budgeted to allow for Council events which might previously have been accommodated free of charge.

## **Expenses**

- \$250k per year operational efficiency savings attributable to the merger of the two businesses. This will be realised through a combination of personnel and operating cost savings.
- Cost of sales (event & F&B direct costs) increase in accordance with revenue increases.
- Increased marketing expenditure of \$100k per year. New activity will include re-branding, initially “re-skinning” the existing two websites, later re-developing a new website, a new JV initiative with PWT in Australia, and a new hirer/consumer research project. These projects are summarised in the “Development Projects” in section 3.3.
- \$50k for recruitment and transition costs in 2011/12 and \$50k per year in 2012/13 and 2013/14. This is to allow for recruitment agency fees, legal & consulting fees in respect of change processes, HR contractor(s) to undertake a skills audit, job scoping & development of policies and recognition of the possible gap between existing salary rates and market rates.
- \$100k consulting fees allowance in 2011/12 and \$75k in 2012/13. This relates to the projects referred to in the SOI , i.e. suite of KPI’s, venue modelling and benchmarking new business opportunities and partnerships.
- Salary & wage increases at 2.5% p.a. from current year, with a corresponding flow on to ACC, Superannuation (Kiwisaver) and Training & Development. The actual level of increase is to be confirmed, based on an HR “audit” of positions. The assumption allows us to confirm an envelope under which we can move/make adjustments.
- Electricity & Gas cost increases at 3% p.a.
- All other expense remain constant in line with the 2011/12 opening year.
- N.B. Payment of rates also to be resolved with WCC.

## **Capital Expenditure**

We have made no allowance for capital expenditure at this stage. This will be a separate exercise. Council has proposed contributing \$200k annually to Operational Asset renewals/replacements.

### **Key Assumptions / Constraints**

- The exclusion of costs and revenues expected to remain with Council is based on our understanding at this stage
- No allowance has yet been made for the closure of the Wellington Town Hall or Opera House due to earthquake strengthening
- We have made no direct allowance for the impact of the Christchurch Earthquake

## **9.3 2012/13 & 2013/14 Budgets**

The 2013 and 2014 budgets reflect an additional 5% uplift in event and F&B revenue (including own shows & JV's). As for 2012, other revenue line items have been held relatively constant or increased by small increments.

We have allowed for an additional \$200k revenue in the Convention Centre through reduced discounting/improved recoveries in both 2013 and 2014, as in 2012. We are hopeful that we can do better than this. We have not accounted for any increase in supplier commissions – and this should be possible in 2011/2012.

We have treated the \$250k in savings as permanent savings, and we are hopeful that as we drill into the business and drive efficiencies, we will identify and realise other savings.

## 10. Capital Expenditure

We do not have any significant plans for capital expenditure in the 2011/12 financial year.

There is \$200k budgeted annually for operational asset renewals/replacements.

In addition, we have budgeted \$178k depreciation in the Convention Centre and \$45k in St James Theatre. On the basis that we are cash-funded for this (part of the budget we have submitted), we will have a total of \$423k for capital investment across the business.



## 11. Major Transactions

Apart from the organisation restructure required as a result of the merger, the Board had no plans for any “major transactions” in the 2011/12 financial year.

The only exception to this will depend on the WCC’s seismic strengthening programme.

WVL is exploring options for a semi-permanent structure to be installed on the MFC car park to enable us to operate on a BAU basis, if and when the Town Hall is decommissioned for a period.

The financial and economic impact of being unable to accommodate business during the proposed seismic strengthening is both significant and onerous and we will need to deliver a viable solution.

A range of possible solutions will be presented to WCC as a separate and extraordinary business case.

## 12. Governance & Risk Management

### The entity

Wellington Venues Ltd is a Council Controlled Trading Organisation established in 2011 by the Wellington City Council to manage and administer the utilisation of the following Council owned venues:

- The Michael Fowler Centre
- The Wellington Town Hall
- The St James Theatre
- The Opera House
- TSB Bank Arena
- Shed 6

### The role of the Board

The Board of WVL is responsible for the ongoing viability of the organisation and ensuring that WVL meets its annual business plan and the goals outlined in the SOI.

The Board achieves this through monthly monitoring of KPIs and the financial results of the organisation.

The Board also guides the development of WVL's long term strategy.

### Board membership

The Board has seven members all of whom are non-executive.

They are:

- Chris Parkin (Chair)
- Ngairé Best (Council appointee – elected)
- Derek Fry (Council appointee – officer)
- Stephen Whittington
- Sam Knowles
- Linda Rieper
- Kim Wicksteed

There is one further appointment due.

Council policy in appointing members is to spread the terms to ensure continuity of knowledge is retained within the Board.

The Chief Executive Officer attends all Board meetings and members of the management team attend as required.

The Board meets on a monthly rotation.

## **Board operations**

The Board is responsible for governance and the strategic direction of the business and delegates the day-to-day operational responsibilities to the CEO (and management team), who reports monthly to the Board.

The Board is in the process of establishing its formal sub-committees and will be reviewing the terms of reference for each committee. There will be an Audit and Risk Sub-Committee as well as an HR and Remuneration Sub-Committee.

It is proposed that the Audit and Risk Sub-Committee meets quarterly to review financial performance, monitor compliance issues and initiate reviews of business performance. The Sub-Committee will also be tasked with considering any business proposals where WVL would be involved at a higher risk level than merely a hirer of venues.

It is proposed that the Human Resources Sub-Committee met at least twice a year to establish and review HR and remuneration policy and to assist when a senior appointment is being made.

The Board will appoint other working groups from time to time.

The Board will complete an annual assessment of its performance.

## **Risk management**

The Board will maintain an active risk register and a current register of trustee interests.

The WCC had provided a credit facility with its bank to enable WVL to manage liquidity risk.

The Chair will sign off on all CEO travel and expense claims.

WVL has well established delegated authorities and the Board will review these from time to time.

The CEO is approved to speak on behalf of WVL, but where there is significant reputational risk, messaging will be agreed with the Chair and in consultation with WCC.

## **Council relationship principles**

WVL will provide quarterly reports in a mutually agreed format to the Council's Council Controlled Trading Organisation Performance Sub-Committee on the agreed dates and present its Business Plan and Statement of Intent on mutually agreed dates.

It should be noted that the 2011/12 Statement of Intent and Transition Business Plan is being accepted as an "interim" document in this, the establishment year of WVL.

A detailed three-year SOI and Business Plan for 2012/13 will be developed during the course of the 2011/12 financial year to align with the WCC's LTCCP process.

WVL's annual report and audited accounts will be supplied to the Wellington City Council within 90 days of the end of the financial year.

The principles governing the relationship with the Wellington City Council will include:

- Ensuring that the Council is fully apprised of any significant deviations from the budgeted cashflows
- Providing early advice to the Council in the event of any situation that has the potential to be contentious in nature and cause reputational damage
- Disclose any significant transactions that are planned within WVL's business plan

As part of WVL's relationship with the WCC, the Chair and CEO of WVL will meet regularly with the Mayor and CEO of the Council and, as required, with the Council's Council Controlled Organisation Performance Sub-Committee and officers.

The CEO and CFO will meet regularly with the Portfolio Manager, Council Controlled Organisations.

## 13. Organisation/Executive Structure

One of the key management responsibilities as part of the merger of the Wellington Convention Centre and St James Theatre Trust on July 01 2011, is the development of a new WVL organisation structure.

The final structure will be subject to consultation and we cannot prejudice the outcome of that process.

As noted elsewhere in this Interim SOI and Transitional Business Plan, we are part way through the process of undertaking a detailed HR audit to better understand the mix of skills and experience that the merged entity will have as at July 01 2011.

There have also been some initial Board level discussions about the kind of structure and management competencies that will be needed to give life to the strategy that is summarised in this interim plan.

We expect to commence consultation with all staff within the next few weeks. We are taking the appropriate HR and legal advice to ensure the kind of transparent and enabling process expected of a good employer.

We note that the advice of WCC's HR team was to provide for a managed transition as we establish the merged entity.

## 14. Special Projects

### Rugby World Cup 2011

The Rugby World Cup 2011 is a significant event for New Zealand, and Wellington will be a vital part of the action.

WVL is working alongside WCC, PWT and others to make sure that the event is a resounding success.

WCC has hired the Wellington Town hall as a “family friendly” zone during RWC and we have been working with the City Events team to make sure that programming at other other venues – e.g. St James Theatre complements rather than competes with what is planned for the Town Hall.

WVL is also working with PWT to make venues available to the public as part of the RWC 2011 Host City Open Day that has been planned. There are also other initiatives that we are supporting.

The St James Theatre have developed a strong cabaret programme to make sure that there are live performances being staged during the RWC period.

The dynamics of the RWC are such that there are significant hotel and airline capacity and pricing issues at peak times and some significant “troughs” in demand throughout the RWC period.

As a result, we will experience a shortfall in revenue (relative to normal booking profiles for that time of year) during the period of the RWC. This kind of displacement effect is common to mega events everywhere in the world. For us the displacement effect means something of a hole in the booking calendar for conferences during the RWC period and some promoters have avoided programming shows during that time.

However, when we look at the weeks and months either side of the RWC , conference bookings during these periods are very strong (especially October/November) and promoters are already enquiring about venue availability in March.

Consequently, our current view is that we will be able to absorb the relatively quiet period of the Rugby World Cup without negative FY impact. All going well, we may end up net positive.

### Other initiatives

WVL is an active partner in hosting the Society of American Travel Writers Convention here in Wellington. The Convention is being brought to Wellington by Air New Zealand, TNZ and PWT. This is a significant promotional opportunity for Wellington and New Zealand and as the host venue WVL is committed to making this a great success.

There are also some other major developments/opportunities in the pipeline (some of which are protected by non-disclosure agreements or are not yet contracted) that could provide exceptional opportunities for Wellington.

Although not part of the year ahead, WVL has demonstrated it's commitment to community events in the past year – being instrumental in supporting a wide range of successful fundraisers for Christchurch and Canterbury since the February earthquake.