
**FINAL STATEMENTS OF INTENT FOR COUNCIL
CONTROLLED ORGANISATIONS FOR THE YEAR
2011/12**

1. Purpose of Report

To provide the Subcommittee with the final 2011/12 Statements of Intent received from Council Controlled Organisations (CCOs), in compliance with Local Government Act 2002 and Council reporting requirements.

2. Recommendations

It is recommended that the Subcommittee:

1. *Receive the information*
2. *Note that following the last Subcommittee meeting the Chair wrote to the Council Controlled Organisations requesting changes to be made in their Statements of Intent and that these changes have been included in the final Statements of Intent*
3. *Agree to recommend that the Strategy and Policy Committee approve the following 2011/12 Statements of Intent as outlined below:*
 - a) *Basin Reserve Trust*
 - b) *Capacity Infrastructure Services Limited*
 - c) *Positively Wellington Tourism*
 - d) *Wellington Cable Car Limited*
 - e) *Wellington Museums Trust*
 - f) *Wellington Waterfront Limited*
 - g) *Wellington Zoo Trust*
 - h) *Wellington Regional Stadium Trust*
4. *Note that a 2011/12 Statement of Intent had not been received from Wellington Venues Limited at the time of going to print with these documents, but will be circulated separately and without the opportunity for Council Officers to review.*

5. *Note that a 2011/12 Statement of Intent had not been received from Karori Sanctuary Trust at the time of going to print with these documents.*

3. Background

The requirements for Statements of Intent (SOIs) are prescribed in the Local Government Act 2002.

Under the Local Government Act 2002, CCOs are required to submit a draft SOI to the Council by 1 March in the previous financial year. As a matter of good practice, the Council preceded this with a Letter of Expectation, sent to all CCOs in January, which outlined the Council's expectations in respect of the SOIs to be received. This process provided both the Council and the CCOs with an opportunity to fine-tune respective expectations ahead of submitting the final SOI for Council approval prior to the beginning of the 2011/12 financial year.

Officers received the draft SOIs and tabled these at the CCOPS meeting on 11 April. This report included issues that had been identified in each SOI that were expected to be addressed in the final SOI. The Chair of the Subcommittee wrote to each CCO, highlighting these issues and requesting that they be addressed in the final SOI, to be submitted to officers by 16 May.

These final SOIs are included in this report for referral to the Strategy and Policy Committee for its approval. As the key accountability document between the Council and the Board of each entity, the approval or support of the SOI is important in confirming the strategic direction and accountability to Council of each organisation.

4. Entities covered by this report

A final Statement of Intent has been received by the following CCOs:

- Basin Reserve Trust
- Capacity Infrastructure Services Ltd
- Positively Wellington Tourism
- Wellington Cable Car Ltd
- Wellington Museums Trust
- Wellington Waterfront Ltd
- Wellington Zoo Trust

A final Statement of Intent has also been received by the following entity that the Council treats as a CCO:

- Wellington Regional Stadium Trust

Officers had not received a Statement of Intent from Wellington Venues Limited (a CCO) or from Karori Sanctuary Trust (which the Council treats as a CCO) at the time of this report going to print.

5. Issues for the Subcommittee to consider

5.1 Basin Reserve Trust

In its final SOI for 2011/12 Basin Reserve Trust (the Trust) has responded to all points raised by CCOPS in its letter on 18 April.

In response to CCOPS's request for more information regarding the closer cooperation with other CCOs, the Trust has briefly responded by outlining that it will continue to have an excellent working relationship with Wellington Museums Trust and that it will explore other opportunities for cooperation as they become apparent.

As recommended, the Trust has included a new KPI that relates to the Council's request that the Trust participate in the review of the CCO back office functions. The Trust is willing to engage in this process as required by Council.

The final SOI financial statements show an adjustment to the Trust's KPIs in relation to the Council funding of less than 35%. In the final SOI, Council's funding is 34.7% of total revenue.

The Trust has further identified five key risks including financial risks, loss of usage/competing venues, vandalism, turf management and rising maintenance cost. These are discussed below.

The Trust outlines that due to the 'low-level' annual operating grant from Council and the increased maintenance costs, the Trust faces financial stress. The Trust indicates that the operational grant does not cover the cost incurred by simply maintaining the venue. The Trust continues to generate non-Council income; however it intends to seek a review of the level of Council's funding. Officers note that the Trust's SOI shows a deficit for 2011/12 of \$154k after depreciation cost of \$266k.

In regards to the risk of loss of usage/competing venues, the Trust outlines challenges of having a high-quality cricket venue capable of hosting international matches that include meeting 'ever-increasing' requirements of world class sporting facility (wicket, outfield, player and umpire accommodation, media facilities VIP hosting etc). The Trust's investment over the years has been in the area of facility improvements, and in the close relationship with NZC.

Vandalism continues to be pose financial and operational risks to the Trust. As a consequence, the Trust will review with Council the accessibility of the venue that currently has 24 hour public access.

The final SOI states that turf management is an on going risk for the Trust as it is not of a standard of some modern stadia in New Zealand, which potentially impacts on the Basin's desirability for certain events. The Trust will closely investigate this issue, particularly in the context of the Cricket

World Cup 2015 which the Trust expects the Basin to have a central involvement in.

In addition, the Trust receives turf management services from Westpac Regional Stadium Trust under a ten year contract that expires in 2014.

The Trusts indicates that managing the asset in a responsible manner will require a careful and comprehensive plan for the overall venue, including earthquake strengthening of the Museum Stand. The Trust and Council officers are in discussions around the priorities and funding implications.

Officers recommend that the Strategy and Policy Committee approve the Trust's 2011/12 SOI.

5.2 Capacity Infrastructure Services Limited

The final 2011/12 SOI of Capacity Infrastructure Services Ltd (Capacity or the Company) is thorough, well presented and responds to all of the points raised by CCOPS in its letter of 18 April. The key changes from the draft SOI include:

- New discussion on the development of a wastewater network model which has identified where additional investigation is required.
- Additional discussion on how the recommendations coming out of the Christchurch earthquake will be incorporated into emergency planning. A KPI requiring an emergency water supply report by December 2011 has been included.
- KPIs have also been added on complying with drinking water standards and the number of dwelling flood notifications received.
- The Company confirms that active monitoring of work that may impact RWC 2011 will be reported through the SLA reporting process.
- Capacity also confirms that it will provide a verbal shareholders' briefing after the first and third quarters, in place of written quarterly reports.

Officers recommend that the Strategy and Policy Committee approve Capacity's 2011/12 SOI. Please note that Capacity's final SOI needs to be agreed by the two shareholders, Wellington City Council and Hutt City Council.

5.3 Positively Wellington Tourism

Positively Wellington Tourism (PWT or the Trust) has provided a comprehensive SOI for 2011/12, together with its business plan, and has responded to the points raised in the letter from the Chair of the Subcommittee, dated 18 April.

In response to CCOPS's request that the final SOI outlines strategies for closer collaboration with the Council's CCOs, the Trust notes that it will be using RWC 2011 as an ideal platform to enhance collaboration amongst Wellington attractions. In 2011/12 the Trust will work on a number of initiatives, including city wide customer service strategy, review of the various websites, city resident cards and a regular CCO leaders' meeting. These initiatives will be carried out beyond 2011/12.

The final SOI provides revised KPI targets and more information regarding the impact of various tourism trends and coming events (e.g. RWC 2011). The Trust's targets show an increase in most areas over 2010/11 levels:

- Increase Australian visitor arrival through Wellington International Airport by 7%
- Grow Wellington Convention market share within the NZ market by 5%
- Downtown weekend visitation increased by 2%
- Grow Wellington Cruise passenger visitors by 48%

Domestic and international visitor nights and weekend rooms sold in partner hotels remain at 2010/11 levels. In respect to the international visitation, the Trust notes that since the two Christchurch earthquakes visitor arrivals to New Zealand have reduced and that it expects this trend to continue in 2011/12 after the expected busy period during the RWC2011.

In response to CCOPS's request for more information on the outcomes achieved to date and specific objectives for outlined Long Haul activities, the final SOI includes a new KPI and briefly outlines a number of new activities in conjunction with TNZ. The Trust sets an objective of "creating a platform that allows Wellington the opportunity to provide credible business propositions to potential Long Haul partners."

In respect to the Australian campaign funding, the Trust indicates that it will consider the resources required to continue this activity beyond 2012. Officers note that the Trust will present the results of the activity to Council in spring 2011, so that Council can consider funding from 2012/13 and the impact of reduced future funding.

As requested, the Trust has included a KPI relating to measuring stakeholders' satisfaction level. The Trust notes that in 2011/12 it will monitor the ongoing satisfaction of commercial partners and the programmes in which they participate. The Trust has not set satisfaction level targets for 2011/12.

In response to the Subcommittee's request for more information regarding static trading income the Trust outlines that the recently upgraded visitor centre has already shown positive impact (increased spend per visitor, increased length of time spent in the centre and increased purchases); at the same time, however, the reduction of visitors from western markets, who are the best yielding visitors, will impact on levels of trading income in 2011/12.

The Trust has provided more information regarding advantages of an integrated marketing model. The Trust sees benefits of 're-alignment' of CCO activity in skill utilisation, better leveraging of investment of individual organisations in destination marketing and better usage of resources through collective purchasing opportunities. It is also notes that PWT's focus is on marketing to potential visitors to Wellington, while visitor attractions strongly also focus on the local market and consideration would have to be given to both activities.

Officers recommend that the Strategy and Policy Committee approve the Trust's final 2011/12 SOI.

5.4 *St James Theatre Charitable Trust*

The St James Theatre Charitable Trust is on target to be wound up on 30 June 2011 at which time operations will be merged with Wellington Venues Limited. As such, there is no SOI to present from the Trust for 2011/12.

5.5 *Wellington Venues Limited*

Officers had not received a Statement of Intent from Wellington Venues Limited at the time of this report going to print.

5.6 *Wellington Cable Car Limited*

The 2011/12 final SOI for Wellington Cable Car Limited (the Company or WCCL), submitted with its business plan, responds to all of the points raised in the letter from the Chair of the Subcommittee, dated 18 April.

The Company has outlined its plans for RWC 2011. These include minimising maintenance disruption to both the cable car and trolley bus overhead network, additional displays in Cable Car Lane, having an information desk in the Lambton Terminal, redoing the track-side areas with Botanic Garden, and being prepared to extend the cable car operating hours if needed.

WCCL also plans to continue to participate in co-operative activities with PWT, including work currently underway on the Kelburn area signage, and to develop portable display units at all cable car related attractions. Preliminary work is continuing on the redevelopment of the Kelburn Terminal; competitive submissions from architects are being evaluated and construction is due to start in April 2012.

The Company has included significantly more detail on its passenger numbers, highlighting that the biggest area of decline this year has been student passengers. WCCL has commissioned market research to investigate this trend and expects the results by the end of June 2011.

WCCL has added discussion of its work underway to formulate an interim pricing regime for use of its trolley bus poles and noted that the draft Technical Review Group report has been prepared and is likely to be presented to stakeholders in June 2011. The Company has also added

discussion of its highest priority risks, which revolve around emergency planning and the asset management of the overhead network. In addition, confirmation that the board undertakes an annual performance evaluation has been included.

The following comments are noted from the Company's business plan:

- WCCL notes that it has budgeted passenger trips at 2010/11 actual levels, plus an additional 52,000 trips to reflect RWC 2011. The passenger forecast of 1,109,000 is slightly below the 2010/11 budget of 1,146,000.
- The Company has budgeted for capex of \$2.2m in 2011/12, including \$1.4m for the redevelopment of the Kelburn terminal.
- There are four significant third party overhead network projects budgeted to be undertaken in 2011/12: the Adelaide Rd upgrade, the Kate Sheppard Exchange, the John St intersection and work on the Karori Tunnel.
- For 2011/12 the Company is forecasting cable car fare income of \$2.1m, a surplus before tax of \$623k and a net surplus after tax of \$435k. These figures are slightly higher than the 2011/12 estimates from last year's business plan, which had fare income of \$1.9m, a before tax surplus of \$555k and a net surplus after tax of \$400k. The higher surplus is largely driven by the higher fare income and a higher external activities operating surplus.

Officers recommend that the Strategy and Policy Committee approve WCCL's final SOI.

5.7 Wellington Museums Trust

Wellington Museums Trust's (the Trust) final 2011/12 SOI provides a comprehensive overview of the planned activities and strategic priorities. The Trust has responded to points raised by CCOPS in its letter to the Trust letter on 18 April.

As requested, the Trust has included a KPI regarding participation in the Council's review of back-office functions of the Trust.

In response to the request to include some discussion on the likely timing and cost of feasibility studies on the strategic plan proposals, the Trust has briefly responded by outlining that a decision on the strategies (admission charges/Wellington Attraction Card) will be made in the first quarter of 2011/12 and managed within the Trust's budget.

CCOPS has requested that the Trust includes commentary on why visitor forecast for City gallery, Capital E and Carter are lower than previously forecast. In regards to the visitation projections for City Gallery and Carter Observatory, the Trust outlines that these have been adjusted on the actual performance since reopening following the refurbishment at both institutions. Carter visitor numbers will grow 20% average across three visitors markets in 2011/12, 10% in 2012/13 and 5% in 2013/14.

Other Trust institutions' visitor numbers remain largely static over the period of three years.

In 2011/12 the Trust plans to establish a project plan and to undertake stage one (further concept development and accommodations strategy development) towards the implementation of a new conceptual framework for Capital E in an appropriate building.

The Capital E building has been reviewed and the report prepared. The report highlights the problems with the building and provides options for how it could be developed to meet the needs of Capital E and its audiences. These options will be discussed with Council officers shortly.

As the stage one of the new conceptual work will take place in 2011/12, the Trust forecasts stagnant visitor numbers for Capital E with no provision made for the 2013 National Arts Festival for Children; in addition, the implementation of the revised Capital E concept and/or refurbishment of the building may cause a temporary drop in visitation in 2012/13 and 2013/14.

In line with Council's expectations the Trust will fully fund depreciation by 2012/13 and in subsequent financial years.

Officers recommend that final SOI 2011/12 is approved by the Strategy and Policy Committee.

5.8 Wellington Waterfront Limited

Wellington Waterfront Limited (WWL) has produced a comprehensive Statement of Intent that covers off the two recommendations made in the feedback letter:

- In response to a request for more information around additional revenue sources to pursue, it is noted that WWL will investigate the sale of long-term lease interests in sheds 3, 5 and 13, the development of sites 8 and 9, complete fair rental reviews and lease renewals on tenants, and explore options for the creation of new tenancies in order to improve their operation position.
- Considerable detail has been added with respect to WWL's perceived risks and consequent risk management strategies.

In addition, the Service Jetty project with the New Zealand Police proposed in the draft SOI has been deferred pending the Police securing the required funds. As such, the project and associated KPI has been removed from the final SOI.

Officers recommend that WWL's final SOI 2011/12 is approved by the Strategy and Policy Committee, based on it being consistent with the Waterfront Development Plan.

5.9 Wellington Zoo Trust

Wellington Zoo Trust's (the Zoo's or the Trust's) final SOI and business plan are thorough, clearly presented and give a very good overview of the Zoo's operations, strategies, and some of the challenges that it faces. The final SOI has addressed all of the issues raised by the Subcommittee in its letter of 18 April.

As requested, the Zoo has included quarterly visitor targets and added KPIs on meeting the Zoo's budget and meeting capex targets. It has also confirmed the fundraising target for 2011/12 at 25% of the estimated 2011/12 capex spend, while noting that it is a transitional year so there may need to be some flexibility around that target. The Zoo has also included additional commentary for each of the capex projects planned for the remaining term of the Zoo Capital Plan, including an outline of the objectives of each project.

The following comments are noted from the Zoo's SOI and business plan:

- The Trust's 2011/12 budget requests an unchanged operating grant of \$2.799m from the Council and forecasts a breakeven operating position for the year. In terms of capex spending, it requests \$0.242m for its capital renewals budget in 2011/12 and, on current phasing, \$3.066m for the Zoo Capital Plan programme. The key Zoo Capital Plan spending in 2011/12 is to be on the completion of The Hub and on the Asia Precinct, including the building of the new sun bear enclosure as part of the Asia Precinct.
- Visitor numbers are forecast to increase by just over 2% on this year's target, to 191,982.

- The Zoo has immense community support as seen in the recent Wellington Mayoral Forum Colmar Brunton survey. This ranked the Zoo fourth in provision of regional support, behind the Ambulance Service, Westpac Stadium and Te Papa.

Officers recommend that the Strategy and Policy Committee approve the Zoo's final SOI.

5.10 Wellington Regional Stadium Trust

The final SOI for Wellington Regional Stadium Trust (the Trust) is well laid out and comprehensive, clearly setting out the Trust's operations and risks and opportunities that it faces. It was submitted with its business plan for 2011/12 and a summary of its 5-year strategic plan.

The Trust has responded to the points raised by CCOPS in its letter of 18 April, including adding clarification that the Chair will bring any board performance issues to the attention of the CCOPS Chair and confirming that the work required to be undertaken before RWC 2011 is largely complete, with only some small projects left and working with RNZ 2011 to complete their overlay requirements.

Considerable detail has been added to the Trust's discussion of the Stadium Master Plan, which is being developed in the context of the other new or redeveloped stadia in New Zealand and corporate box and member renewals coming up in 2014. Once the design concepts are agreed, there will be an additional round of consultation with stakeholders, which is likely to be in early 2012. The Trust has noted that there is no intention to seek funding from either WCC or GWRC to fund any planned developments.

A review of the Trust's business plan notes the following points:

- The Wellington Mayoral Forum's Colmar Brunton March 2011 survey rated the Westpac Stadium second only to the Wellington Free Ambulance Service for provision of regional support.
- The Trust will have held 55 events by the end of 2010/11; this continues to be at the upper end of the number which can reasonably be expected to be held in a year.
- The Trust is estimating a net surplus of \$3.14m for 2010/11, above the revised forecast surplus of \$2.8m. It is estimating an external bank loan balance of \$11.0m by June 2011, well below the budgeted bank loan balance of \$13.5m.
- Forecast net surpluses for the next 3 years are \$3.74m for 2011/12, \$2.60m for 2012/13 and \$2.33m for 2013/14.
- For 2011/12 the Trust is forecasting holding 50 events, including for Rugby World Cup, resulting in events income of \$5.17m and a net

surplus of \$3.74m. This is slightly higher than the \$3.31m 2011/12 net surplus estimate from last year's SOI, largely due to lower budgeted operating costs.

- The Trust notes that it is reasonably confident about maintaining its profit at about \$2m per annum through to 2014, as this is underpinned by corporate box licence fees, membership subscriptions and sponsorship agreements and has non-event revenue streams such as car parking. However, it notes that, beyond 2014, there is potential for a different position, depending on the renewal of corporate boxes and memberships.

Officers recommend that the Strategy and Policy Committee approve Wellington Regional Stadium Trust's 2011/12 SOI. Please note that the Trust's final SOI needs to be agreed by the two settlors, Wellington City Council and Greater Wellington Regional Council.

5.11 Karori Sanctuary Trust

Officers had not received a Statement of Intent from Karori Sanctuary Trust at the time of this report going to print.

6. Conclusion

The overall quality of the final SOIs varies across the CCOs; however, in general the final SOIs address the key issues requested by CCOPS and provide a clear discussion of how each CCO contributes towards Council's outcomes.

Officers will continue to work with the CCOs to ensure that the SOIs continually improve and drive the performance of this important group of entities that provide a range of critical and popular services to the City.

Contact Officers:

Richard Hardie, Portfolio Manager, Council Controlled Organisations
Maree Henwood, Portfolio Manager, Council Controlled Organisations
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. 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

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.

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.