
REPORT 3
(1215/52/02IM)

DRAFT STATEMENTS OF INTENT FOR COUNCIL CONTROLLED ORGANISATIONS FOR THE YEAR 2012/13

1. Purpose of Report

To provide the Subcommittee with an analysis of some of the draft 2012/13 Statements of Intent received from Council Controlled Organisations (CCOs), in compliance with the Local Government Act 2002 and Council reporting requirements.

2. Recommendations

It is recommended that the Subcommittee:

1. *Receive the information*
2. *Recommend that the Strategy and Policy Committee notes that*
 - a) *The Chair will write to each organisation, on the basis of the officer assessment provided in this cover report and as detailed below, requesting changes for final 2012/13 Statements of Intent for presentation to this Subcommittee at its meeting of 8 June 2012:*

Capacity Infrastructure Services Limited

- *Recognising that Capacity manages contractors on behalf of Wellington City Council, confirm that Capacity has an active process for considering health and safety obligations for contractor management at each stage of: pre-qualification of contractors, engagement of contractors, induction and monitoring of contractors, and an annual or post project review of the contractor's performance;*
- *Include any update on the proposed new model with Upper Hutt City and Porirua City as additional shareholders;*
- *Add commentary on Capacity's four principal strategies for example progress made to date, how future progress will occur and how it will be measured;*
- *Set out a clearer explanation of the alignment between the business objectives and the Company's activities;*

- *Have a greater emphasis on resilience, including discussion on the progress of emergency water availability work and the seven activities in the Water Conservation and Efficiency Plan;*
- *Provide additional detail on the plans and timing of the analysis to investigate and validate work on renewals forecasts;*
- *Include three years worth of performance targets;*
- *Include wording equivalent to “any performance measures where targets are not being achieved (or as requested by shareholders) will be included and commented upon in Capacity’s reports” in the KPI section;*
- *Include an outline of all of the Councils’ Long Term Plan measures as a schedule;*
- *Discuss the progress of benchmarking and comparative analysis work;*
- *Reflect the agreed Long Term Plan funding at that point in time and make comment on any financial and resourcing implications of the final work programme level;*
- *Add a revised column with an estimate to 30 June 2012 as a comparison point for the forecast figures; and*
- *Include a sentence confirming the Company’s commitment to its relationship with its Council shareholders and a “no surprises” policy of open and transparent communication and accountable reporting.*

Positively Wellington Tourism

- *KPIs need to be reviewed as to whether “at 2011/12 levels” is appropriate in order to give actual performance targets and include commentary on why a number of KPIs are at static levels;*
- *Quarterly KPI targets should be phased where appropriate;*
- *Include three years of performance targets across the KPIs;*
- *Confirm that Positively Wellington Tourism has appropriate health and safety policies in place to meet its responsibilities covering, as applicable, hazard identification and management, emergency planning, accident reporting and investigation management, contractor management and safe work procedures; and*
- *The Letter of Expectation discussed communication and access to information and the Trust’s Statement of Intent needs, therefore, to reference the “no surprises” basis for operations and decision making and have a statement confirming the principles governing the relationship between the Council and the Trust.*

Wellington Museums Trust

- *Make links to other relevant Council strategies, e.g. recently adopted Arts and Culture Strategy;*
- *Include commentary on why visitor forecasts are static for Capital E, City Gallery and Museum of Wellington;*
- *Include more information on the specific strategies to address visitor numbers at the City Gallery;*

- *Outline plans to address the 2014/15 deficit;*
- *Provide updated plans regarding the Capital E redevelopment and the Plimmer's Ark project; and*
- *Confirm that the Trust has appropriate health and safety policies in place to meet its responsibilities covering, as applicable, hazard identification and management, emergency planning, accident reporting and investigation management, contractor management and safe work procedures.*

Wellington Zoo Trust

- *Add discussion on the Asia Precinct and Meet the Locals projects and what they will add to the current Zoo experience;*
- *Reflect the agreed Long Term Plan funding at that point in time and make comment on any potential impact on service provision and options to address this situation;*
- *Confirm that the Trust has appropriate health and safety policies in place to meet its responsibilities covering, as applicable, hazard identification and management, emergency planning, accident reporting and investigation management, and safe work procedures;*
- *Recognising that the Trust manages contractors on behalf of Wellington City Council, confirm that it has an active process for considering health and safety issues at each stage of: pre-qualification of contractors, engagement of contractors, induction and monitoring of contractors, and a post project review of the contractor's performance;*
- *Include three years worth of performance targets; and*
- *Reinstate a performance measure around accessibility to Wellingtonians and one around income per visitor or Trust generated spend per visitor.*

b) The draft Statements of Intent for the remaining Council Controlled Organisations will be presented to the Council Controlled Organisation Performance Subcommittee at its meeting on 23 April 2012

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 precedes this with a Letter of Expectation (LoE) to CCOs, which outlines the Council's expectations in respect of the SOIs it will receive.

The draft SOI process provides both the Council and CCOs with an opportunity to fine-tune respective expectations ahead of submitting a final SOI for owner approval (Council) in June each year.

4. Entities covered by this report

4.1 Council Controlled Organisations

To date, draft Statements of Intent have been received from the following organisations:

Capacity Infrastructure Services Ltd
Positively Wellington Tourism
Wellington Cable Car Ltd
Wellington Museums Trust
Wellington Waterfront Ltd
Wellington Zoo Trust
Wellington Regional Stadium Trust

At the time of going to print a draft Statement of Intent had not been received from Basin Reserve Trust, Positively Wellington Venues or the Karori Sanctuary Trust.

Four draft Statements of Intent are considered in this report. The remaining draft Statements of Intent will be considered at the Subcommittee's meeting in April.

4.2 Wellington Regional Stadium Trust

A Court of Appeal ruling clarified the Trust's status and confirmed that it is not a CCO. The Trust has undertaken to provide an SOI 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

The Karori Sanctuary Trust is now included in the Council Controlled Organisations Performance Subcommittee (CCOPS) quarterly reporting regime (all COs also provide an annual report to the Council) and by virtue of the Council's \$10.38 million non-recourse loan to them is now required to provide an SOI. The Council has instigated a working group to assess future options with respect to the Trust and once any actions arising out of this work are agreed by the Council, Karori Sanctuary Trust will be requested to submit a SOI.

5. Discussion

5.1 Capacity Infrastructure Services Limited

Capacity Infrastructure Services Ltd's (Capacity's or the Company's) draft SOI provides an overview of its operating activities and its desire for improved regional co-operation in water services delivery. Detailed comments are provided below and incorporate feedback from the Council's Infrastructure Directorate, as a key client of the Company.

As requested, the draft SOI discusses Capacity's insurance programme on page 20 and its business continuity plan on page 21 (which was reviewed and updated in 2011). It also has a clear and thorough discussion of health and safety management on pages 18 and 19, including noting the Company's internal and external audits on this issue as required by ISO 9001:2008 and the role of the Health and Safety Committee. Recognising that Capacity also manages contractors on behalf of Wellington City Council, officers request that the Company confirm that it has an active process for considering health and safety obligations for contractor management at each stage of: pre-qualification of contractors, engagement of contractors, induction and monitoring of contractors, and an annual or post project review of the contractor's performance.

In its Letter of Expectation the Company was asked to outline the tangible results the Company expects to achieve in continuing work on the regional delivery of water and drainage services, including deadlines. Capacity's draft SOI discusses the new model it is proposing with Upper Hutt City and Porirua City as additional shareholders and a more outcomes-based operating model. The Company notes that it hopes to have this in place by 1 July 2012, which appears ambitious, particularly as approval from all relevant Councils will be required for any governance change.

Capacity's four principal strategies remain unchanged; however, there is limited commentary on the progress being made to date. For example, like last year, the draft SOI states on page 7 that it will "improve customer feedback mechanisms"; however, there is little discussion of progress made to date, how this will occur and how it will be measured. This is also the case with the discussion around staff empowerment. In addition, a clearer explanation of the alignment between the business objectives and the Company's activities would be helpful.

Capacity was also asked to outline in detail the planned delivery outcomes and deadlines (including education) for the water conservation and emergency response strategies (including emergency water availability), now that initial plans have been developed. While officers note that the draft SOI does discuss the water conservation plan on page 10 and emergency preparedness on pages 12 and 22, a greater emphasis on resilience is requested throughout the document. In particular, there is only a brief discussion on the progress of any emergency water availability work, which is a critical part of the Council's resilience planning. There is also no discussion on the progress of the seven activities in the Water Conservation and Efficiency Plan (e.g. targeting 25 top commercial users to establish opportunities) and whether they are on track.

As requested, the draft SOI discusses ongoing analysis to investigate and validate work on future infrastructural replacement cost commitments (renewals forecasts) on page 13. However, there is no detail provided on the plans or timing of this work stream.

In relation to the Company's KPIs, consistent with the LGA, officers request three years worth of performance targets. As per last year, officers request that

wording equivalent to the following be included: “any performance measures where targets are not being achieved (or as requested by shareholders) will be included and commented upon in Capacity’s reports”. As reference, officers ask that an outline of all of the Councils’ LTP measures be included as a schedule.

The draft SOI is silent on any progress of other benchmarking or comparative analysis, including the ‘cost per property’ survey discussed last year.

Capacity’s budget and cost allocation summary in the draft SOI is broadly in line with a recent version of the Council’s draft long term plan. However, officers note that the final long term plan figures are likely to be materially lower, which may have implications for the Company’s cost base. Capacity’s figures will be reconciled with the final long term plan as part of the final SOI analysis and the Company is asked to comment at that time on any financial and resourcing implications of the final work programme level. Officers also request that the Company add a revised column with an estimate to 30 June 2012 as a comparison point for the forecast figures.

Finally, like last year, officers request that Capacity add a sentence confirming the Company’s commitment to its relationship with its Council shareholders and a “no surprises” policy of open and transparent communication and accountable reporting.

Summary Recommendations

The final 2012/13 SOI should:

- Recognising that Capacity manages contractors on behalf of Wellington City Council, confirm that Capacity has an active process for considering health and safety obligations for contractor management at each stage of: pre-qualification of contractors, engagement of contractors, induction and monitoring of contractors, and an annual or post project review of the contractor's performance;
- Include any update on the proposed new model with Upper Hutt City and Porirua City as additional shareholders;
- Add commentary on Capacity’s four principal strategies for example progress made to date, how future progress will occur and how it will be measured;
- Set out a clearer explanation of the alignment between the business objectives and the Company’s activities;
- Have a greater emphasis on resilience, including discussion on the progress of emergency water availability work and the seven activities in the Water Conservation and Efficiency Plan;
- Provide additional detail on the plans and timing of the analysis to investigate and validate work on renewals forecasts;
- Include three years worth of performance targets;
- Include wording equivalent to “any performance measures where targets are not being achieved (or as requested by shareholders) will be included and commented upon in Capacity’s reports” in the KPI section;

- Include an outline of all of the Councils' LTP measures as a schedule;
- Discuss the progress of benchmarking and comparative analysis work;
- Reflect the agreed LTP funding at that point in time and make comment on any financial and resourcing implications of the final work programme level;
- Add a revised column with an estimate to 30 June 2012 as a comparison point for the forecast figures; and
- Include a sentence confirming the Company's commitment to its relationship with its Council shareholders and a "no surprises" policy of open and transparent communication and accountable reporting.

5.2 *Positively Wellington Tourism*

Positively Wellington Tourism (PWT or the Trust) has presented its draft Statement of Intent for 2012/13. The document provides a good overview of the current market situation in Wellington and the challenges that are facing the tourism and events industry, and presents a number of strategies for dealing with these issues. The SOI provides a good overview of planned activities for the next 12 months.

PWT's Statement of Intent begins with a summary of the successes and challenges experienced through 2011/12. Particularly emphasised is the growth of recognition in Australia of Wellington as a tourist and business destination. The introduction notes the need for Wellington to continue to invest through the Downtown Levy and build partnerships with the private sector. These are themes that run strongly through the whole document.

The Trust has responded to all the specific issues requested in the SOI.

PWT has outlined how it will lead the creation of a plan, to be developed in conjunction with Parks and Gardens, Zealandia, the Museums Trust and Wellington Cable Car, to better leverage marketing between the attractions in the Kelburn precinct. Building on previous work such as the Wellington City Pass, in 2012/13 PWT will lead a project that focuses on bringing more visitors to the Kelburn precinct of the Cable Car and increasing the activities undertaken by all visitors to this area of the city. The SOI notes a central challenge being getting people to move from the 'view' to other attractions and envisages a number of activities to assist this. Several steps in the plan of action are recommended, including researching visitor numbers and satisfaction levels, developing an action plan, maximising opportunities to promote other attractions, and create a marketing plan that will inspire people to visit the precinct and explore other attractions. The Trusts notes that all parties collaborating in this should not commit marketing budget spend before the planning process has outlined options and changes.

The SOI provides commentary on how PWT will provide promotion and support to the Council's CCOs, noting that the events we identify as successful have become so as a result of the combination of a high-quality event being combined with a high standard of hospitality experience. PWT asserts that its involvement

would take the form of contracted marketing support, co-ownership of certain events, events coverage, sharing information (KNOW Wellington), and professional involvement on arts and business boards and groups. In 2012/13 PWT will review the provision of events to collectively ensure that the investment made in these activities add to the economic, social and cultural prosperity of Wellington. They will continue to provide marketing support for all events in Wellington, working with CCOs and large event organisers to ensure that audience numbers from outside of Wellington are maximised.

The details on how PWT will provide promotion and support are a bit unclear, as is information on how they would determine which events would get their support and how they communicate the availability of marketing support to other organisations. More detail is needed about the costs associated with this area of activity and how current practices could be enhanced and developed.

Compared to 2011/12, PWT has presented a more refined suite of Key Performance Indicators that reflect that main reporting streams of the company. 'Expected value add' figures, however, are not provided for some KPIs while others need clarity. For example, a number of KPIs are set to maintain the previous year's level which is similar to what was expressed in previous years. The final SOI should provide information to why the measurement is static. For a measure like the Cruise Passenger numbers, the KPI is proposing an increase on 2010/11 figures but an overall decrease on 2011/12 arrivals. We need to understand what PWT is doing to influence the number of cruise ship arrivals on an annual basis; if this number is simply a reflection of advanced bookings for cruise ships then the KPI can be removed and reported as useful information.

The SOI goes in to some detail about the importance of the Australian market, and outlines strategies to maintain the level of Australian visitors to Wellington in 2012/13. The Trust notes further growth potential in the leisure market and that Wellington is well placed to capitalise on this. The strategies proposed include strengthening partnerships, especially airlines and travel sellers, awareness building of brand activities and working with niche audiences. PWT requests Council to continue its support of marketing the city to Australia through the downtown levy and to this end submitted a new initiative request to Council for continued funding as part of this year's Long Term Plan process.

PWT notes that the Australian Marketing Funding ceases in 2011/12. They have requested, therefore, that this funding be maintained as it has delivered proven strong outcomes and leveraged third-party investment in marketing Wellington. The Trust has also included this grant funding in the draft SOI financial statements. The budget will be adjusted to reflect the Long Term Planning process.

PWT identifies the relationship and extent of Council's interest in the Trust and that Council's engagement in their strategy goes well beyond the financial investment. The SOI goes to some lengths to emphasise how their marketing

activity is in line with the Council's strategic priorities, with no non-contributing activities identified.

In terms of funding, the Trust notes that the current WCC grant is 48.2% of revenue. While confirming the importance of private sector partnerships, the SOI stresses the importance of maintaining a balance of funding source as 'any reduction in funding or substantial change in the funding mix would result in a consequent reduction in service levels, changes in core capabilities or a reduction in the scale and impact of our marketing programmes.' A CPI adjustment in their grant funding through the LTP process so the final SOI budget will be adjusted to reflect the LTP figures at that point in time.

PWT has provided the requested information about insurance and business continuity plans, noting that insurance premiums have increased 39% on 2011/12 figures. Although a business continuity plan has been in place since 2009, the experience of Christchurch has forced them to revisit a number of parts of this, particularly the Crisis Communications Plan, and issues around intellectual property. They identify their biggest challenge in a disaster to be the security of the website and communication tools and have taken steps to deal with this.

There are several additional areas of PWT's business that are highlighted in the 2012/13 SOI. The Trust acknowledges that it is continuing to work towards incorporating shared services practices into their business. Long haul is also referenced with importance placed on the need to make the right industry connections.

Regional competition in the events and conference market is highlighted. The SOI claims that in 2012/13 Wellington's investment in attracting visitors and promoting events will be exceeded by another region (Auckland). Although PWT has plans in place to off-set the impact of such investment, they do note that a purpose-built convention and event centre facility is required in order to compete effectively with other regions.

Summary Recommendations

The final 2012/13 SOI should:

- KPIs need to be reviewed as to whether "at 2011/12 levels" is appropriate in order to give actual performance targets and include commentary on why a number of KPIs are at static levels;
- Quarterly KPI targets should be phased where appropriate;
- Include three years of performance targets across the KPIs;
- Confirm that PWT has appropriate health and safety policies in place to meet its responsibilities covering, as applicable, hazard identification and management, emergency planning, accident reporting and investigation management, contractor management and safe work procedures; and
- The Letter of Expectation discussed communication and access to information and the PWT SOI needs, therefore, to reference the "no

surprises” basis for operations and decision making and have a statement confirming the principles governing the relationship between the Council and PWT.

5.3 Wellington Museums Trust

The Wellington Museums Trust’s (the Trust) draft Statement of Intent is comprehensive and provides a good overview of the Trust’s key strategies and plans for the following three years. Carter Observatory will no longer be separately reported by the Trust as it will be fully integrated (apart from assets) into the Museums Trust from 1 July.

The Trust has clearly described how it contributes to the new Council’s vision Wellington Towards 2040: Smart capital. The Trust has broadly outlined its activities that contribute to People Centred, Connected City, Dynamic Central City and Eco City community outcomes. The Trust has outlined its goals, performance and strategic priorities under three focus areas: Visitor Experience, Heritage Collection and Organisational effectiveness. No specific links have been made to other relevant Councils strategies, e.g. recently adopted Arts and Culture Strategy.

The Carter Observatory management agreement is due to expire on 30 June 2012. As requested in the Letter of Expectation the Trust has reported that it intends to fully integrate Carter Observatory as agreed with Council. Details of this new agreement will be finalised by 30 June 2012.

In respect to Capital E, the Trust reports that it will achieve a revitalised Capital E concept within the current planning period. During 2011/12, the Trust has made progress in resolving Capital E’s accommodation needs and has commenced the redevelopment of the web site. Officers recommend that the final SOI provides further information regarding the Capital E redevelopment.

The draft SOI outlines the Trust’s willingness to cooperate with PWT and other visitor attraction CCOs. The Trust will continue formal and informal strategies to build collaboration, and will work with partners on a collaborative marketing plan for the Cable Car Precinct. It is also aims to establish if there is willingness to further explore admission charges strategy. The Trust will also continue to explore mutually beneficial opportunities with the Museum of New Zealand Te Papa Tongarewa.

In its draft SOI, the Trust’s total visitor numbers are forecast to be 612,550, showing no increase over the previous year’s target. This is 10% below the 2010/11 target. The Trust forecast an increase of 2% in year two and 1% in year three.

Officers note that Capital E’s visitation remains static over the period of three years, despite the Capital E National Theatre festival that usually brings 30,000 additional visitors. The City Gallery and the Museum of Wellington also show no increase in visitor numbers from 2012/13 to 2014/15. The final SOI should

include commentary on why these visitor forecasts are as outlined and amend as necessary.

In response to the request to address strategies and actions for turning around lower than budgeted visitor numbers at the City Gallery, the Trust has identified this as one of its strategic priorities. The Trust plans to implement a revised marketing plan and balanced exhibition programme, where appropriate with national and international partners. Officers recommend that the final SOI includes more information on the specific strategies to address this issue.

The quality of experience KPI target remains at 90% of visitors rating their experience as good or very good. Similarly, the target level of resident awareness of Trust institutions remains high at between 85% and 90% for the Trust's major institutions.

The Trust has also included a KPI measuring spend per visitor. As a benchmark, the forecast spend per visitor in 2012/13 is likely to be around \$10.26 for Carter and \$3.24 for the Trust. Council subsidy per visitor KPI is also included that ranges from \$13.67 for the City Gallery, to \$7 for Carter and \$5.21 for the Museum of Wellington.

The Trust has indicated that the financial sustainability, ability to fully fund depreciation and break even will be achieved by 30 June 2013. In addition, the Trust aims to increase non-council revenue and improve efficiency. To achieve this the Trust will continue to develop its retail capability including through the redevelopment of the Museum of Wellington City and Sea, at the City Gallery and Capital E (once refurbished or in new accommodation); and will also focus on increasing sponsorship and venue hire revenue. The Trust has undertaken research into attitudes towards non-residential charges and the induction of a Wellington Attractions card. This research will inform revenue generation policies in the planning period.

In the draft SOI, the Trust has not identified options to reduce the level of funding reliance on Council. The Trust indicates that its ongoing challenge is to absorb cost increases without affecting service levels. In 2012/13 the Trust faces significant additional electricity charges associated with the upgrade of the City Gallery's HVAC system and increases in insurance premiums.

The financial projections are based on the assumption that Council's grant remains at the 2011/12 and no increases are budgeted over the period of three years. The Trust forecasts a small deficit after depreciation in 2012/13 (including Carter) and a deficit of \$333k in 2014/15. Officers recommend that the final SOI provides information of how the deficit in 2014/15 arises and how this deficit is going to be addressed.

It should be noted that the Trust has included a comprehensive and clear discussion of its risk management process and its risk schedule. The Trust has also included information regarding redevelopment plans for the Museum of Wellington City and Sea, and the Plimmer's Ark collection.

The Trust is asked to confirm that it has appropriate health and safety policies in place to meet its responsibilities covering, as applicable, hazard identification and management, emergency planning, accident reporting and investigation management, contractor management and safe work procedures.

Summary Recommendations

The final 2012/13 SOI should:

- Make links to other relevant Council strategies, e.g. recently adopted Arts and Culture Strategy;
- Include commentary on why visitor forecasts are static for Capital E, City Gallery and Museum of Wellington;
- Include more information on the specific strategies to address visitor numbers at the City Gallery;
- Outline plans to address the 2014/15 deficit;
- Provide updated plans regarding the Capital E redevelopment and the Plimmer's Ark project; and
- Confirm that the Trust has appropriate health and safety policies in place to meet its responsibilities covering, as applicable, hazard identification and management, emergency planning, accident reporting and investigation management, contractor management and safe work procedures.

5.4 Wellington Zoo Trust

The draft SOI for Wellington Zoo Trust (WZT or the Trust) is well presented and outlines how the Zoo is aligning itself with the Council's desired outcomes and its strategies to continue to build on its recent strong operating performance.

As requested in the Letter of Expectation, the draft SOI includes detailed discussion on the Zoo's alignment with Wellington's *Towards 2040: Smart Capital* strategy and issues including the Zoo Capital Plan (ZCP) and the associated fundraising strategy. Pages 16 through 22 outline the Trust's remaining plans for the balance of the previously agreed ZCP from 2012/13 through 2015/16 and the projects it proposes undertaking from 2016/17 if a second phase of the Zoo Capital Plan is approved by the Council. In terms of fundraising, the Zoo has already successfully raised \$4.1m and has \$1.1m left for completing the first ZCP programme. The Trust plans to raise this sum as a whole over two years rather than by project, with a refocused fundraising strategy for 2012 onwards.

The Trust was also asked to outline its plans to make the Zoo more financially sustainable. The draft SOI sets out the increasing contribution over time that the Zoo has been making to its costs, from 37% of operational costs when it started to approximately 50% now. The Zoo Capital Plan has been part of that shift, with additional commercial revenue opportunities coming from projects

such as The Hub. The draft SOI notes on page 14 that the Trust will continue to seek to reduce its reliance on Council in percentage terms over time.

In terms of financial support, the Trust has requested a \$2.883m operational grant (increased for inflation). It has also requested tagged animal acquisition funding of \$0.089m from 2012/13. This request is in recognition of the fact that animal acquisitions are currently covered in the Trust's annual opex budget; this process and the high fixed cost nature of the Zoo operation does not allow for any accrual of operational funds for costly acquisitions (e.g. big cats, giraffes) in line with Collection Plan requirements.

On the capital side, the Trust is requesting \$0.622m for its capital renewals budget and \$1.875m for the Zoo Capital Plan programme in 2012/13. The key ZCP spending in 2012/13 is to be on the completion of the Asia Precinct and on Meet the Locals. Officers note, however, that there is limited discussion in the draft SOI of these projects and what they will add to the current Zoo experience.

It should be noted that these figures are in line with new initiatives submitted by the Zoo as part of the Long Term Plan (LTP) process. They are also in line with the updated Asset Management Plan which has been presented to the FAR Working Group. As the draft SOI notes on page 38, any adjustments to these figures as a result of LTP decisions will be reflected in the final SOI budget. To the extent that budget changes are required to reflect the LTP, the Zoo will be asked to comment on any potential impact on service provision and options to address this situation in the final SOI.

As requested in the Letter of Expectation, the draft SOI includes an excellent summary of the Trust's insurance profile on pages 25 to 27. Again, as requested, the draft SOI confirms the Trust's business continuity plan is reviewed annually, most recently in January 2012.

The draft SOI also discusses health and safety on page 27, including the existence of a Safety Improvement Team, the weekly monitoring of any health and safety incidents and reporting to the Board on this issue. To complete this section, officers request that WZT confirm that it has appropriate health and safety policies in place to meet its responsibilities covering, as applicable, hazard identification and management, emergency planning, accident reporting and investigation management, and safe work procedures. In addition, recognising that WZT manages contractors on behalf of Wellington City Council, officers request the Trust to confirm that it has an active process for considering health and safety issues at each stage of: pre-qualification of contractors, engagement of contractors, induction and monitoring of contractors, and a post project review of the contractor's performance.

In general, officers are comfortable with the Trust's suggested KPIs, which are largely consistent with its 2011/12 targets. To be consistent with the LGA, officers also request three years worth of performance targets. In 2012/13 visitor numbers are forecast to increase by 2% to 195,822. While officers note that this figure is lower than the actual visitor number achieved in 2010/11, it is

consistent with the 2% growth rate included as part of the original approved business plan for the ZCP. Two KPIs have been removed: % Wellingtonians visiting the Zoo and average income per visitor. To complete the reporting picture, officers ask the Trust to reinstate a performance measure around accessibility to Wellingtonians and one around income per visitor or Trust generated spend per visitor. As context, the current draft SOI budget implies an average income per visitor of \$15.20 in 2012/13, an increase over the 2011/12 SOI figure of \$14.86.

In general, the financial forecasts included in the draft SOI for 2012/13 appear reasonable, implying a 3% increase in trading income, a 2% increase in employee costs and a 6% increase in other operating expenses for 2012/13 relative to the revised 2011/12 forecasts. There is also a forecast increase in operating sponsorships and, as noted above, in average income per visitor. As noted above, it is important to remember that the final SOI budget will be adjusted to reflect the LTP figures at that point in time.

Summary Recommendations

The final 2012/13 SOI should:

- Add discussion on the Asia Precinct and Meet the Locals projects and what they will add to the current Zoo experience;
- Reflect the agreed LTP funding at that point in time and make comment on any potential impact on service provision and options to address this situation;
- Confirm that WZT has appropriate health and safety policies in place to meet its responsibilities covering, as applicable, hazard identification and management, emergency planning, accident reporting and investigation management, and safe work procedures;
- Recognising that WZT manages contractors on behalf of Wellington City Council, confirm that WZT has an active process for considering health and safety issues at each stage of: pre-qualification of contractors, engagement of contractors, induction and monitoring of contractors, and a post project review of the contractor's performance;
- Include three years worth of performance targets; and
- Reinstate a performance measure around accessibility to Wellingtonians and one around income per visitor or Trust generated spend per visitor.

6. Conclusion

Officers have assessed some of the draft Statements of Intent for 2012/13. The quality and focus of the SOIs continues to improve, and officers will work with CCOs to ensure that this remains the case.

A number of changes are recommended to the Subcommittee. Subject to its approval of these changes being requested, the Subcommittee's views will be

communicated to CCOs in time for amended (final) SOIs to be presented to this Subcommittee at its meeting on 8 June 2012.

The draft Statements of Intent for the remaining CCOs will be presented to this Subcommittee at its meeting on 23 April 2012.

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 Trust, as part of normal operations.

4) Decision-Making

This is not a significant decision.

5) Consultation

a) General Consultation

A copy 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.