

WELLINGTON VENUES LIMITED

**POSITIVELY
WELLINGTON
VENUES**



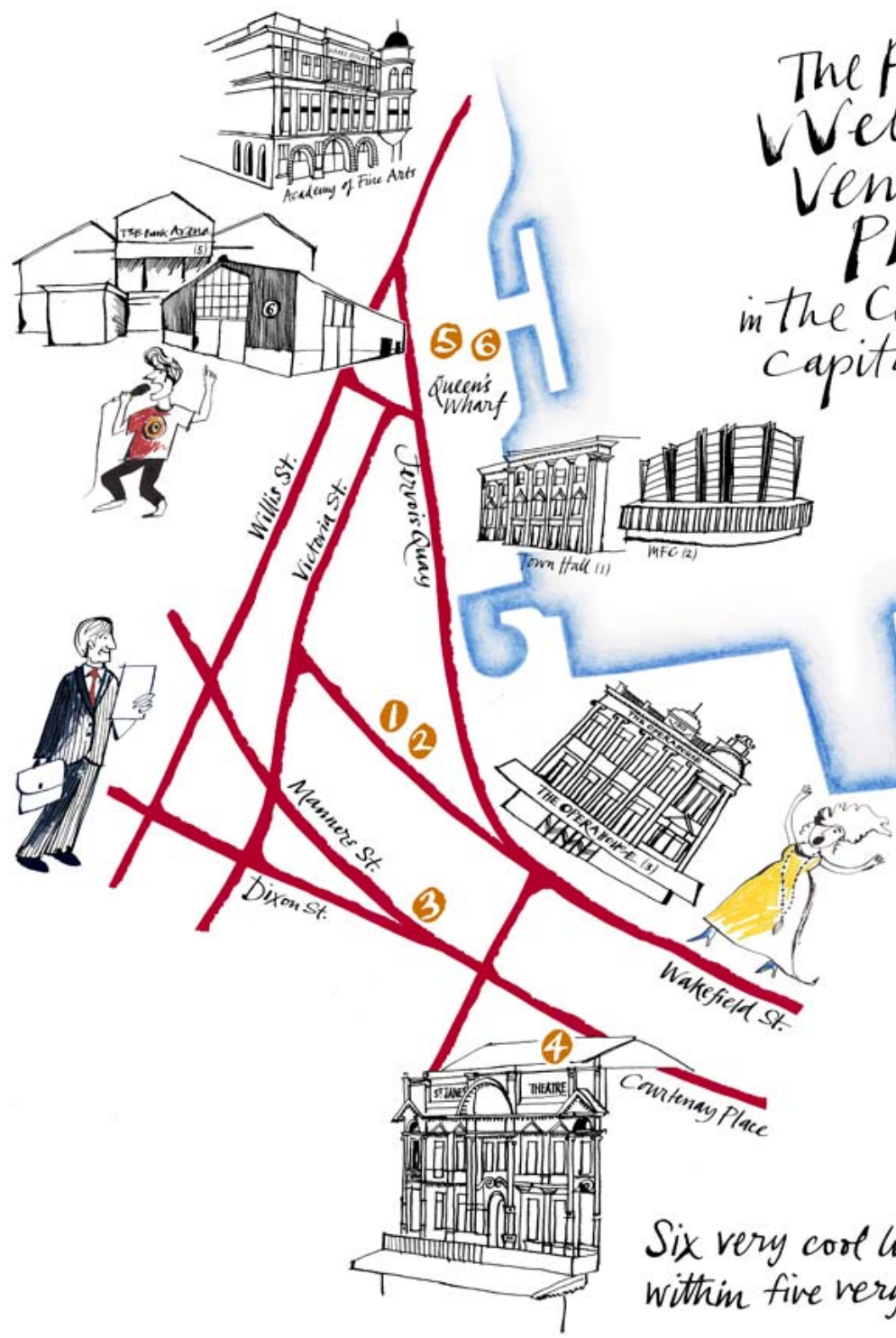
2013/2014

SOI & BUSINESS PLAN

Positively Wellington Venues
is proud to manage six of
Wellington's most significant
performance and conference
venues located in the heart of the
City's waterfront, arts, culture and
entertainment precinct.

The Positively Wellington Venues Precinct

in the Coolest little capital in the world



Six very cool little venues within five very easy minutes walk.

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Foreword from the Chairman

We are pleased to present Positively Wellington Venue's (PWV's) third Statement of Intent (SOI).

We have come a long way since we submitted the 2011/12 SOI outlining what we proposed to do as we took the newly merged business forward. In that first year we required an operating subsidy from Council.

Our 2012/13 SOI was based on WCC as our shareholders removing any operating subsidy and the Board approved a budget based on PWV delivering a break even result.

The letter of expectation (LOE) that has informed the development of this SOI lays out the expectation that PWV will deliver a surplus in the 2013/14.

While there are some constraints on the business as a result of the decommissioning of the Wellington Town Hall, the confirmation of funding for the refit of Shed 6 and the old Plimmer's Arcade as a temporary venue was a welcome breakthrough and an opportunity that we are embracing in a whole-hearted manner.

The debate around Shed 6 perhaps highlighted more than anything the multimillion dollar contribution that events housed in the venues under our management make to the Wellington's economy.

As we ramp up our sales and marketing efforts in 2013/14 to bring more show and grow business events to the City we will be improving our emphasis on both analysing and reporting on the value that these events bring to Wellington.

Of course, it's not only about the economic contribution of these events – it's also about the broader contribution that a strong year round calendar of show and grow business events make to WCC's Long Term Plan and Towards 2040 Strategy – growing and attracting talent, connecting with the world, being an eco-conscious place of creativity and innovation and building a dynamic and people-centred City.

It is our view that in order to grow the contribution that we can make to the goals that are outlined in the 2040 Strategy we need to adopt a robust commercial approach to our business. That is not to say that we don't understand the need to deliver on community outcomes as well, but if we fail as a business we cannot succeed as a key contributor to broader community outcomes.

The successes of "Show Me Wellington" (targeting the conventions and events market) and *LIVE in Wellington* (targeting show and performance patrons) are great examples of applying commercial (and creative) disciplines to marketing tools that will help us to grow our markets. Both tools have been substantially re-invented and both are now self funding through industry and advertising partnerships. We believe that when we create business partnerships that are commercially viable and sustainable, we are able to confidently grow the returns to Wellington.

PWV is proud to play a critical role in the delivery of a wide range of Wellington's existing iconic events such as WOW and the New Zealand International Festival of the Arts – including the upcoming Jazz Festival. And, PWV has been a major supporter of events like VISA Wellington on a Plate – in particular helping to ensure the growth and development of the Fisher and Paykel Master Class.

PWV also actively supports a number of community-based events from sports fixtures to fundraisers and graduations and school prizegivings.

In past months the executive team have lead the development of some great new partnerships with some of our major hirers. We were delighted to be able to provide a well-priced home to the Festival management team and we are looking forward to further collaboration with the team in the run up to the 2014 Festival year. There have also been some exciting developments that will put Wellington on the international stage that involve the NZSO and the use of our venues.

Working alongside the Trustees of the Performing Arts Foundation Wellington, we look forward to further growing and supporting Wellington's skill-base and talent in the performing events arena.

Closer collaboration with the City Events team and Positively Wellington Tourism and other partners like Te Papa is also beginning to pay off as PWV works alongside these partners to populate and grow the City's Events Calendar.

On behalf of the Board of PWV, I would like to thank Wellington City Council for agreeing to fund the redevelopment of Shed 6. Without that space PWV would have slipped backwards at a time when we are completely and enthusiastically focused on taking the business and Wellington forward.

Chris Parkin
Chairman

1. Introduction from the CEO

Merge, Build, Grow Strategy

Positively Wellington Venues has been working to a three year strategy – merge, build, grow. The SOI for 2013/14 is based on the third stage of the strategy - achieving growth in the PWV business as well as growing PWV's contribution to the Wellington City Council as our shareholder and to the wider Wellington economy and community.

PWV's first SOI (2011/12) mapped out the transition of the business to a CCTO and the merger of the "old" Wellington Convention Centre and St James Theatre Trust. The focus of that year was on putting a new and integrated structure and leadership team in place while making sure that the business continued to trade successfully. WCC provided a \$250,000 operating subsidy as part of the transition year agreement.

In 2012/13 we have focused on "standing on our own two feet" - delivering a breakeven result and trading without an operating subsidy from WCC. New tier three and four roles we established in the business and we have begun the process of overhauling all of our operating systems to help "make the boat go faster".

A priority for us was a comprehensive review and rebuild of our standard operating procedures that relate to health and safety. Achieving ISO certification for Quality and Environment across all of our venues was a major achievement and places us as the only group of venues in New Zealand to have earned this result. We are now focused on driving other improvements across all aspects of the business.

Our Letter of Expectation (LOE) for 2013/14 anticipates that we will deliver a surplus while closing the Wellington Town Hall for seismic strengthening (and removing it from our sales inventory for an extended period) and delivering the temporary Shed 6/Arcade venue to market early in the new financial year.

We are enormously grateful to WCC for agreeing to fund the "Shed 6" development and we are already receiving great feedback about the flexibility of the design and its suitability for different users. However, while Shed 6 will provide an alternative venue for a large number of events throughout the year, PWV will be operating with a reduction in overall venue capacity/functionality when the Town Hall is closed. This is particularly true in for performances (Shed 6 will not have the same acoustic qualities as the Town Hall!) and when pre-existing hire agreements and some of WCC's legacy arrangements are taken into account, we will be squeezed for space at peak times.

Despite these constraints, when we submitted our draft SOI and provisional budget we were targeting a surplus of \$100k in the 2013/14 FY. However, since that time, WCC have instructed us to accept over \$130 in additional costs and while we are budgeting for some growth in our different lines of business, we have taken a conservative view of our ability to grow the C&E market without the Town Hall in play. As a result we are assuming zero growth in revenue. The flat revenue projections and unplanned increases in our cost structure will result in an EBITDA surplus of \$128k in 2013/14 and a loss after tax and depreciation of \$126k.

Show & Grow in Australasia

Planning (and campaigning) for a replacement venue for the Wellington Town Hall aside, in 2013/14 we have focused on reinventing our market offerings in both the grow and show business areas of our business.

The successful launch of “Show me Wellington” as the cornerstone of promoting Wellington as a C&E destination and the launch of “LIVE in Wellington” as a replacement for the old season brochure and a vehicle to better promote shows and performances in our venues have been part of positioning PWV for growing our presence in the market.

We see some significant market development opportunities for Wellington in both the C&E and S&P spaces.

In the C&E space it’s about promoting Wellington as a vibrant and accessible destination. In the S&P space it’s about promoting Wellington as a valuable and “bankable” market.

While the local Wellington market and wider New Zealand market along with our key local and national industry partners remain of vital importance to PWV, the Australian market presents significant growth opportunities.

Therefore, our partnership with PWT and Te Papa that is ensuring that Wellington has an active sales presence in the Australian market remains as an important investment. We are beginning to realise a positive return on that initiative as the value of our Australian new business pipeline grows.

We believe that it is vital that we continue to promote the advantages of Wellington as a capital city and the coolest little capital in the world in order to own a strong position alongside other New Zealand and Australian C&E offerings.

It is particularly important that Wellington takes the high ground in this space in 2013/14 before work commences on the national convention centre (SKYCITY, Auckland), Queenstown’s convention centre plans come to fruition and the Christchurch convention centre rebuild kicks off.

On the show business side, Australia plays a big role in accessing touring product and in that case, promoting the size and strength of the Wellington market to promoters is a key strategy for us. Maintaining regular sales calls with Australian-based producers and promoters, being open to creating attractive deals to secure more/new/Wellington exclusive shows, assisting with overcoming barriers (such as working visas for touring groups) and providing ready-made marketing solutions are all part of being able to grow this side of the business.

At the time of submitting the draft SOI we were consulting about some proposed changes to our organisation structure. Those changes have been accepted and will enable us to better align our structure to our core revenue streams and improve the performance of the business.

Capital Collaboration - enhancing Wellington’s Events Calendar

As part of WCC’s events strategy, the establishment of a regular events forum has provided a catalyst for greater collaboration and forward planning amongst the key players responsible for developing the City’s events calendar. The forum’s work programme includes identifying how to grow and enhance the City’s calendar of events and PWV is pleased to be playing an active role in that area.

By contributing to attracting more grow and show business events and better supporting and leveraging the City’s existing event assets like WOW and the New Zealand International Arts Festival not only can we help

to increase the economic returns to the City and strengthen their positions as key contributors to Wellington's Arts and Culture sector but we can also contribute to the Council's goal of maintaining and enhancing Wellington's reputation as a the Arts, Culture and Events Capital of New Zealand.

In addition to the high level strategic partnerships, the Chairman's foreword already covers the fact that we have been able to provide the Festival of the Arts team with a new home and in doing so we are on our way to expanding the role of the St James Theatre as a hub for the performing arts. Closer collaboration with the Festival and other arts partners will also bring other advantages.

We see a number of additional opportunities to work with the City's Arts and Culture and Grants teams to ensure that our local creative talent can access the city's venues and public spaces to develop and present their work. Our agreement with the Academy Galleries is receiving positive feedback from hirers and patrons that are enjoying their engagement with the arts. We regularly make the first floor gallery at the St James available for exhibitions and The Arcade at Shed 6 will provide a further gallery space. We have proposed to the Arts team an idea for a piece of installation art in The Arcade at Shed 6.

As well as providing spaces for exhibiting and presenting art, the expansion of the Performing Arts Foundation (PAF) fund to help grow and support Wellington's skill base and talent in events and arts activities and supporting services remains a priority for PWV and the PAF Trustees. We are currently working with the WCC's Grants team to research the respective roles of PAF and the Wellington Venues Subsidy (WVS) in order to better understand how we can make the most of these funding sources with community groups and better support the exposure of young people to the arts.

Finally, PWV looks forward to supporting the roll out of the Destination Wellington strategy and to delivering on the promise of our SOI to make sure that Wellington is seen as a great place in which to live, work, play, visit, study and invest.

Events infrastructure and event services

We are planning on being able to officially open Shed 6 to coincide with "Show me Wellington" on August 21 2013.

This is an excellent opportunity to promote the replacement venue offering to local, national and international buyers and media – making sure that we are securing Wellington's position as the coolest place to host business events in Australasia.

We know that buyers will respond well to Shed 6 and the adjoining Arcade and TSB Bank Arena as a temporary venue but we remain of the view that the journey can't stop there. Continuing to advance the development of a purpose built convention, entertainment and cultural centre must remain a top priority if Wellington is to continue to be seen as a leader in the events market.

With new events infrastructure already operating in Auckland, Hamilton, Rotorua and Dunedin and plans for new facilities in Auckland, Christchurch and Queenstown, Wellington will have it's work cut out for it to secure and maintain a competitive edge.

We see the opening of Shed 6 and the Arcade not only as an opportunity to demonstrate what a purpose built convention, entertainment and cultural centre could bring to Wellington by way of increased economic benefits, but also an opportunity to begin to grow the market so that when the Town Hall comes back on stream the City is well positioned to sustain two mid-sized facilities.

The competitiveness of Wellington's venue offering (and the success of PWV's business) is also dependent upon the quality of the commercial partnerships that PWV is able to negotiate with key suppliers and business partners.

2013/14 will see PWV renew its supply arrangements in ticketing, food and beverage, security and taxi services and we will be reviewing the way our partnerships work with our technical services providers. Our challenge is to ensure that we are able to negotiate commercial arrangements that deliver the best value for money - enhancing the quality of our offering, enabling us to contain costs and build a point of difference in the market. We are mindful that our procurement criteria need to align with the City's commitment to sustainability and buying local.

We are looking forward to the 2013/14 year. It will not be without its challenges but there are also some great opportunities to realise for the Capital.



Glenys Coughlan

CEO

2. Strategic Direction

2.1 Core Purpose

Since our establishment as a CCTO, PWV's core purpose combines commercial imperatives with community and City-wide outcomes:

PWV's commercial imperatives are to:

1. optimise the **commercial utilisation** and earning potential of the venue and ancillary assets under our management
2. deliver outstanding "end-to-end" **event experiences** based on best of breed business partnerships that create enduring value and set Wellington's venues offering apart from the rest
3. extend the venues offering to develop new markets, **grow new sources of revenue** and improve commercial performance
4. reduce the level of operational subsidy required from WCC and the consequent burden on the ratepayer and build our earnings to **attract investment** in future growth and development

PWV is also committed to contributing to some significant City and Community outcomes:

5. adding to the **cultural and business vibrancy of the City** and Wellington's competitiveness as a visitor destination, its attractiveness as a place to do business, and its vibe as a City in which people want to live
6. contributing to the **health and resilience of the Wellington economy** (growing visitor spend and export earnings and supporting new investment), addressing environmental challenges and playing our part as a Capital City in improving the good of the nation
7. building **community pride and participation** that celebrates Wellington's belief in being a place of creativity, exploration and innovation; ensuring that our venues are part of the fabric of the City and accessible to their communities
8. supporting the **development of new and emerging creative talent** in our show and grow business events and connecting that talent with new business opportunities locally and globally

2.2 Operating Environment Update

PWV's operating environment remains challenging. On the grow business (C&E) side of the business there has been some recovery in the corporate and associations meetings markets, but there is increased competition for that business both within Wellington, across New Zealand and within Australia. With continued cost pressures on the public sector the government market remains subdued.

On the show business side, we are seeing solid growth in touring shows but as the costs associated with touring increase (shipping, insurance, labour costs) that market is vulnerable. Consumer confidence and discretionary income also has a big impact on the viability of these shows and we need to be increasingly careful about how we programme the best mix of locally produced shows and performances alongside touring shows so that we are not over-saturating the market. Bringing New Zealand exclusives to Wellington that attract out of town visitation helps us to increase the market.

At an operational level within the PWV business we are having to manage increases in overheads including utility and insurance costs and increases in the minimum wage and KiwiSaver contributions. We can adjust our pricing to reflect these increases (and we are moving to an annual CPI adjustment in our approach to pricing) but we operate in a highly competitive market. For a certain scale and type of event, hotels are often inclined not to charge venue rental in order to secure F&B and accommodation revenue. There are also some cities in New Zealand and Australia (as well as other international destinations) that will pay a considerable incentive to win conference business. With new facilities coming on stream across Australasia, Wellington will have to out-smart where we can't out-spend to win business.

Overall, in the current operating environment our approach to managing the business has to be highly sales focused to drive revenue growth and highly cost focused to protect our margins. We have taken a very conservative view of the market in 2013/14.

2.3 Strategic Framework

WCC VISION...	Wellington City Council's Towards 2040 Smart Capital vision is underpinned by four city goals based on Wellington's competitive advantages – a highly skilled and innovative population, strong eco-city performance, our position as New Zealand's capital connected culturally and socially to the world; and a compact city form	
PWV VISION...	We will rock this town by delivering a stunningly good year round calendar of grow and show business events ...	
PWV MISSION...	... driving the profitable and sustainable growth of the PWV business while contributing to the cultural, community and business vibrancy of Wellington and the vitality of the New Zealand economy	
OUR GOALS...	To grow the contribution of show and grow business events to Wellington by promoting Wellington's reputation as the coolest place to host events in Australasia	To improve the profitability and performance of PWV's business model by creating outstanding event experiences that set PWV's offering apart from the rest
OUR GROWTH STRATEGIES...	<ol style="list-style-type: none"> 1. championing the development of Wellington's events infrastructure and being a leader in the industry in order to grow our share of the show and grow business markets 2. leveraging Wellington's points of difference – a compact and cosmopolitan capital city, an abundance of creative talent, the history and character of our venues and the unique opportunities that these things enable 3. building highly competitive show and grow business brands that enable us to connect with and grow our target markets 4. creating intelligent, creative and compelling sales and marketing campaigns with our local, national and international partners 	<ol style="list-style-type: none"> 5. delivering a diverse portfolio of venues with a range of flexible set-ups, quality facilities and professional venue services 6. growing ancillary revenue by delivering first class food and beverage services that are reflective of Wellington's best and creating enticing value-add offerings 7. developing strong and committed business relationships with a mix of commercial, funded and community hirers 8. negotiating smart and enduring commercial partnerships with leading venue and event suppliers that make a positive contribution to our performance
BUILDING A STRONG FOUNDATION...	<p style="text-align: center;">Get the venue basics right:</p> <p style="text-align: center;">9. providing fit for purpose venues and first rate technical support, sustaining a lean cost base, and optimising venue utilisation</p> <p style="text-align: center;">10. attracting, retaining and developing great people with the i.e. factor and rewarding great teamwork</p> <p style="text-align: center;">11. driving for continuous improvements in operational health and safety and the quality of our business systems and reducing our impact on the environment</p>	
LIVING OUR VALUES...	<p style="text-align: center;">At PWV we are a team that believes in being:</p> <p style="text-align: center;">• safe and sound • genuine and respectful • nimble and lively • can-do and imaginative</p> <p style="text-align: center;">We are positively passionate about Wellington and we are full of the kind of "i.e." (infectious enthusiasm) that it takes to create unforgettable experiences</p>	

3. Nature and Scope of Activities

To deliver on PWV's Vision, Mission and Goal we will drive and deliver the following initiatives and activities:

STRATEGY	KEY INITIATIVES/ACTIVITIES
Grow contribution to Wellington	<p>Align activities with the Destination Wellington Strategy – promoting Wellington as a great place to visit, live, work, study and invest</p> <p>Increase share of out of town visitors and overall spend at both grow and show events</p> <p>Secure one NZ exclusive show and one significant new show to Wellington (i.e. a touring show that in the past may not have included Wellington)</p> <p>Secure at least two significant new Australasian Conferences with 350 plus delegates</p>
Improve PWV profitability	<p>Revenue growth, productivity gains(improved rostering), cost management, improved earnings from outsourcing</p>
Champion the quality and ongoing development of Wellington's event infrastructure	<p>Complete Shed 6 project in time for August opening</p> <p>Contribute to working group on new Cultural/Entertainment centre for the City</p> <p>Support increase in air services/long haul connectivity</p> <p>Take the lead in resolving visa issues for touring groups</p>
Leverage and build Wellington's reputation as the creative and events capital	<p>Support Destination Wellington promotional strategies</p> <p>Expand partnerships with arts and business organisations to develop the strength, diversity and quality of the City's events calendar</p> <p>Extend PAF across all venues in order to provide more support to local talent and productions and develop/foster new audiences</p>
Build competitive brands	<p>Continue to publish LIVE in Wellington to promote what's on in our venues, increase ticket sales and develop new audiences</p> <p>Develop our Conventions and Events branding to take us from becoming just another "hall for hire" to delivering exceptional event experiences</p> <p>Grow and develop Show me Wellington as a key promotional tool for destination Wellington's C&E offering</p>
Create effective marketing campaigns	<p>Create a strong digital presence to support our other sales and marketing activities and ensure that we are getting the right information in front of the right decision-makers to drive the business</p> <p>Collaborate with other partners to plug and promote gaps in the events calendar</p>

STRATEGY cont...	KEY INITIATIVES cont...
Deliver diverse choice of venues with quality facilities	<p>Ensure facilities upgrades and improvements meet the needs of our hirers and end consumers</p> <p>Improve access to our venues for people with disabilities and support the Council's accessibility plan</p>
Grow ancillary revenue	<p>Develop both up and cross sell opportunities to increase contribution of ancillary spend</p> <p>Review current supplier arrangements to develop improved value-add offerings and marketing opportunities</p>
Develop strong business relationships with hirers	<p>Complete review of legacy arrangements/obligations and resolve funding of those</p> <p>Maintain regular dialogue/updates with "major hirers"</p> <p>Work closely with events, arts and culture and grants teams to align activities to ensure that a good mix of events that are relevant to a wide range of audiences are supported</p> <p>Maintain regular communication with commercial hirers and introduce supporting partners to underpin commercial success e.g. airline or hotel partners, sponsors etc</p>
Negotiate performance-based commercial arrangements	<p>PWV will be tendering for and negotiating a number of significant supplier agreements in 2013/14. We will be aligning the evaluation criteria with our strategic framework and building increased performance incentives into all agreements.</p>
Venue basics right	<p>Complete condition assessment and asset management project and R&M schedules</p> <p>Review rostering processes and undertake cross training to improve flexibility of permanent and casual workforces</p> <p>Optimise the utilisation of the venues under our management</p>
Great people/teams	<p>Continue to embed PWV values and lift performance through specific programmes including:</p> <ul style="list-style-type: none"> - performance development process - Front of House training <p>Create opportunities to cross skill/up skill across teams to build a highly flexible and motivated workforce</p> <p>Benchmark levels of engagement/motivation and develop strategies to work towards preferred culture</p>
Continuous improvement HSEQ	<p>Maintain ongoing internal and external audits in compliance with ISO standards NZ14001 and NZ9001</p>

4. Performance Measurements

Our financial and non-financial success will be measured by :

STRATEGY	GOAL	KPI'S (MEASURES)
Grow contribution to Wellington	Increase economic contribution of show and grow business events to Wellington by 5 % in 2013/14	Contribution of PWV's show and grow business events to Wellington economy
Improve PWV profitability	Deliver a EBITDA of circa \$100k in the 2013/14 FY	EBITDA \$100k
Champion the quality and ongoing development of Wellington's event infrastructure	Improve industry/market understanding of the quality of Wellington's event infrastructure and support services and our ambitions for further development	Media coverage, new business wins and hirer feedback (related to events "infrastructure" and service) Growth in market share – grow and show
Leverage and build Wellington's reputation as the creative and events capital	Secure national and international recognition of the creative capital "x" factor that makes destination Wellington a great place to host events – talent, creativity, connections, positive attitude, viable market	Strength and diversity of events calendar Media coverage, new business wins and hirer feedback (related to 'creative capital') PAF applications/outcomes
Build competitive brands	Build recognition and strength of PWV's corporate brand as well as our key product brands in order to grow the business	Growth in "LIVE" advertising revenue, patron database and engagement via digital media Launch new C&E branding and generate 10% growth in new business enquiries Growth in 'Show me Wellington" exhibitors and buyers (especially increase number/quality of buyers from Auckland and Australia)
Create effective marketing campaigns	Leverage the resources and relationships that we have locally, nationally and internationally to develop new markets and increase ticket sales, new business wins and ancillary spend	Growth in annual value of tickets sold Growth in business contracted
Deliver diverse choice of venues with quality facilities	Maintain venue satisfaction rating at 90% or more	Satisfaction ratings

STRATEGY cont...	GOAL cont...	KPI'S (MEASURES) cont...
Grow ancillary revenue	Increase volume and value of food and beverage sales and grow performance bar and merchandising revenue by 10%.	\$ value of ancillary spend to the business
Develop strong business relationships with hirers	Manage the mix of commercial, funded and community hires to achieve the commercial outcomes that WCC expect of PWV while also accommodating the needs of funded and community hirers	Mix of commercial, funded and community hires
Negotiate performance-based commercial arrangements	Improve contribution of commercial partnerships to PWV's bottom-line and service standards	Value/contribution of supplier agreements.
Venue basics right	To maintain a lean cost base – driving for efficiency and productivity gains where possible and optimising venue utilisation and revenue	Achieve pan venue utilisation (days hired) of 60% or more Improved rostering with evidence of savings/efficiencies
Great people/teams	Develop high performing and motivated teams	Staff turnover remains low Increased levels of staff motivation/ engagement Improved guest experience as measured through client survey data
Continuous improvement HSEQ	Demonstrate suitability and effectiveness of ISO Quality Management System in areas of Health & Safety, Environment and Quality and evaluate where continual improvement of effectiveness can be made.	Retention of ISO NZ14001 and NZ 9001 certification across venues

5. Board's Approach to Governance

The entity

Wellington Venues Ltd (trading as Positively Wellington Venues) 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 and the Arcade

The role of the Board

The Board of PWV 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 PWV's long term strategy.

Board membership

The Board has eight members all of whom are non-executive. They are:

- Chris Parkin (Chair)
- Cr Ngaire Best
- Cr Paul Eagle
- Daniel Bridges
- Linda Rieper
- Samantha Sharif
- Lorraine Witten
- Mike Egan

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 has established an Audit and Risk Sub-Committee and the terms of reference are being developed. Items will include 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 PWV would be involved at a higher risk level than merely a hirer of venues.

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

The Board will complete an annual assessment of its performance including the overall board, individual board member and the chair before September 30 2013.

PWV will hold an Annual General Meeting in a forum which is open to the public.

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 PWV to manage liquidity risk.

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

PWV has well established delegated authorities (currently based on the WCC framework) and the Board will review these from time to time.

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

Council relationship principles

PWV 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.

PWV'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 cash flows
- 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 PWV's business plan

As part of PWV's relationship with the WCC, the Chair and CEO of PWV 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.

6. Organisational Health, Capability & Risk Assessment

Having been through a period of substantial change, PWV is in good health. The merger and organisation restructuring processes as well as a change towards a more commercial culture has certainly put pressure on individuals and teams.

We have been (and will continue to be) committed to regular staff briefings, weekly internal staff communication, the roll out of new tools like a professional development programme for all staff along with better planned and integrated training and development programmes to build organisational capability. We will continue to review our organisation capability and performance and to manage changes in both as required.

In terms of business risks, the main risks relate to our ability to compete in the market:

- having sufficient venue capacity and competitive events infrastructure (vs other venue offerings in New Zealand and Australia)
- our ability to package city “deals” that are as attractive as other centres
- perceptions around seismic conditions of our buildings and the risk in Wellington
- working visa issues for touring groups (not specific to Wellington but an opportunity for us to play a leadership role in resolving)
- sustaining Wellington’s points of difference (leveraging Destination Wellington)
- being “compensated” for and/or able to recover some hard costs associated with WCC legacy arrangements that impose significant costs on PWV
- the performance and effectiveness of the Wellington Convention Bureau and other related industry bodies that we work with to generate sales leads
- the quality and commercial value of outsourcing arrangements and key supplier agreements
- the capability, flexibility and productivity of our workforce

Our business strategies are designed to mitigate these risks as far as possible, but we operate in a highly competitive market place with external dynamics that create uncertainty. Remaining well informed and nimble is critical to performing well.

7. Additional Information

7.1 Response to other specific Letter of Expectation matters

This SOI endeavours to address both the expectations outlined in the WCC LOE (13 December 2012) and the requirements of the new SOI template.

Two matters that remain unresolved as we submit the final budget are the action points from the CCO review – notably “agree what legacy or other sponsorship support PWV is expected to provide for community organisations or strategic partners” and “identify any impacts to the financial position of PWV arising (out of this) and review the timeframe in which PWV is expected to breakeven and then deliver surpluses”

We estimate that the value of the legacy arrangements that we carry is excess of \$2m per annum. PWV has undertaken a detailed analysis of revenue foregone – including discounts, special exemptions from standard commercial practice (as detailed in our Venue Hire Agreements) and unrecovered costs that we are required to fund. We are actively working with WCC to resolve how these arrangements and any associated obligations will be met in order to order to deliver on WCC’s commercial expectations of PWV and WCC’s broader objectives for Wellington City.

7.2 Response to CCOPs feedback

Following the review of the draft SOI, CCOPs requested:

Confirmation of KPI for venue occupancy

Hired days per annum with a benchmark of $\geq 60\%$

Explicit goal in relation to working with the events team

The following goal has been agreed with the City’s economic development and events team:

Goal: to support the growth and development of Wellington's signature events in order that they can contribute to the vitality and health of the Wellington economy and brand.

Commentary: As venues our role is to make sure that signature events like WOW and the Festival are able to operate in our venues in a way that supports the growth and development of these events. In addition PWV will work with City Events to deliver existing events, and to attract new events that generate economic benefits, attract, inspire and retain talent and give a sense of community belonging and a sense of place.

Strategies for increasing exposure to the arts for children

A core focus for us in 2013/14 is the development of a market and audience development strategy that will identify our key market segments and develop programmes that we can roll out with hirers to grow ticket sales.

Children and young people will be one of the target segments and our strategies will cover both community and commercial ticketed events. Identifying the appropriate channels to market will be an important part of improving access and exposure.

Programming (securing and booking shows and performances) is an essential part of attracting and growing audiences. PWV has established two programme development roles - one will focus on resident hirers and our performing arts partners and the other on international touring shows. A major focus for the performing arts programming role will be working with community and arts organisations to develop educational programmes and support emerging talent.

We are pleased to report that in the 2012/13 year we have secured twice the number of commercial shows that target the youth market and increased attendance (as measured by ticket sales) from 18,000 to 38,000. A main contributor to this is the Disney on Ice season – here in Wellington for the first time. As a result of the way in which tickets have sold, the producers are now considering Wellington as regular slot in their Australasian tour.

The 2013/14 year PWV will work to attract more children/family shows to the capital. Children are the patrons of the future, and PWV see this segment as vital to the health of Wellington's audiences of the future.

Remove reference to Shed 6 design competition

Done

Work with WWL on options for external refit of TSB and Shed 6

To be initiated. PWV will work with WWF and WCC to ensure that the exterior of TSB Bank Arena, the Arcade and Shed 6 are upgraded to an appropriate standard, deferred maintenance is undertaken and an adequate R&M programme put in place.

In working together we also hope to create a look and feel for the exterior that is more reflective of Wellington's creative capital status.

Review of PAF and WVS

A first draft of the Angus and Associates research that targeted PAF and WVS recipients was received on 16 May. These results will be combined with the other work that we have undertaken to provide a complete picture of how best to support community and commercial performances in our venues. This has also been a consideration in the tender process for a ticketing agency.

Capex details

Refer section 8.7

Council's Accessibility Action Plan

Things we do at the moment:

- Provide alternative easy stage access by way of our new portable wheelchair lift
- Include easy wheelchair access in all of our venues by way of ramps and removable seating
- Accessible hearing loops will be installed in Shed 6

Over the next 3 years, we will:

- continue our engagement with stake holders and clients to provide proactive communication by way of:
 - ticketing
 - audio descriptions
 - PWV Website
 - staff training
- Advertise designated 0800 number for enquiries from clients and patrons
- Ensure staff undergo disability awareness training
- Develop a system to monitor and evaluate the impact of PWV's improved accessibility
- Develop a vision with the staff and Board to include objectives that incorporate providing access to our venues and arts events for everyone

8. Appendix 1: Forecast Financial Statements

8.1 2012/13 Financial outcome

PWV remains on target to achieve its budgeted breakeven 2012/13 result. The business environment continues to be challenging and there is a focus on improving sales conversion rates and minimising overheads to achieve our budgeted net profit.

8.2 2013/14 Budget

The PWV Board has approved the budget for the 2013/14 financial year which results in a \$128,000 EBITDA result and a net loss after tax of \$126,000. This result reflects directions from Council that we absorb \$130,000 in additional costs related to Shed 6 and the fact that we will be operating with reduced venue space in a market that continues to be challenging.

Positively Wellington Venues 2013/14 SOI budget

	Q1 2013/14 budget	Q2 2013/14 budget	Q3 2013/14 budget	Q4 2013/14 budget	2013/14 budget
\$'000					
Event revenue	3,309	4,409	2,722	4,230	14,671
Car parking	59	60	57	57	233
Other income	98	98	98	98	393
Interest income	5	5	5	5	18
Total revenue	3,471	4,572	2,881	4,390	15,314
Direct event costs	1,468	2,052	1,132	1,863	6,515
Wages	633	600	578	640	2,452
Total direct costs	2,101	2,652	1,710	2,504	8,967
Gross profit	1,369	1,919	1,172	1,886	6,347
	39%	42%	41%	43%	41%
Salaries	725	687	586	708	2,705
Other employment costs	55	52	48	55	209
Occupancy costs	282	246	246	246	1,019
Utilities	251	160	120	227	758
Insurance	57	57	57	58	228
Marketing	149	146	144	146	587
Prof fees	42	24	16	18	100
Admin costs	53	53	47	56	210
IT and Comms	43	43	43	44	174
Directors' fees	34	34	34	34	135
Travel	9	9	10	12	40
Vehicle costs	13	13	13	13	53
Total expenses	1,713	1,525	1,364	1,617	6,219
EBITDA	(344)	395	(193)	270	128
Depreciation	61	61	61	61	244
Tax expense	0	0	10	0	10
Net profit/(loss) after depreciation and tax	(405)	334	(264)	209	(126)

8.3 Budget commentary

Event revenue includes income from our three major business lines: Conventions & Events, Performances & Exhibitions and Food & Beverage including venue hire, catering and technical services and café revenue. Budgeted event revenue is based on our current booking pipeline adjusted for likely growth based on past experience.

PWV will be taking some significant aspects of its business to tender during 2012/13 and the 2013/14 financial years including ticketing, catering, merchandising and security. The aim of these tenders is to improve the quality of service to our hirers and to ensure an appropriate share of the profit from these services is passed back to PWV. The effect of these new contracts is likely to have a beneficial impact on PWV's results.

Ancillary revenue includes car parking, publications income, recoveries, and interest income and the budgeted values are based on past experience adjusted for specific 2013/14 changes.

Overall, budgeted event revenue is 0.6% lower than our 2012/13 forecast and this reflects the loss of the Town Hall and some uncertainty over the transferability of all of our Conventions & Events business to the refitted Shed 6 and TSB Bank.

Direct costs are event related costs and include catering, technical charges and security costs. Budgeted values are based on known costs for specific events and past experience. Budgeted direct costs are 3.9% below the 2012/13 forecast which is in-line with the budgeted event revenue and also reflects the anticipated business mix for 2013/14.

Wages and salaries are budgeted based upon our current complement of staff adjusted where necessary for anticipated business levels and other changes. An allowance has been made for the increase in the minimum wage and other performance based increments.

Other employment costs include employers' Kiwisaver contributions, ACC, recruitment fees and training costs. These costs are 26% above 2012/13 forecast due to the Kiwisaver rate increase.

Occupancy costs includes rent, rates, cleaning costs and equipment maintenance, it reflects a rent increase on Shed 6 and an allowance for an increased management fee at TSB Bank Arena. Utilities costs include electricity, gas and water charges. The budgeted amounts for these costs are based on past experience adjusted for known or likely cost increases.

Insurance costs are predominantly building insurance premiums for TSB Bank Arena (\$202,000 of \$228,000) which is incurred as part of PWV's management agreement with Wellington Waterfront.

Marketing costs are based on a marketing programme which supports the three business lines (as above), the company's brands and invests in our digital presence. The marketing budget, as a percentage of event revenue, represents a minor increase over prior year budget. The increase reflects the need for a marketing investment in Shed 6 to support the transition of Conventions & Events business to this new venue.

All other minor overhead costs are as described above and budgeted values have been held at their 2012/13 levels.

8.4 Budgets for 2013/14 and 2014/15

Positively Wellington Venues

	2013/14	2014/15	2015/16
\$'000	budget	budget	budget
Event revenue	14,671	14,671	14,964
Car parking	233	233	233
Other income	393	393	393
Interest income	18	18	18
Total revenue	15,314	15,314	15,607
Direct event costs	6,515	6,515	6,645
Wages	2,452	2,453	2,501
Total direct costs	8,967	8,968	9,146
Gross profit	6,347	6,345	6,461
	41%	41%	41%
Salaries	2,705	2,732	2,760
Other employment costs	209	212	214
Occupancy costs	1,019	1,019	1,019
Utilities	758	766	766
Insurance	228	228	228
Marketing	587	552	552
Prof fees	100	100	100
Admin costs	210	210	210
IT and Comms	174	174	174
Directors' fees	135	135	135
Travel	40	40	40
Vehicle costs	53	53	53
Total expenses	6,219	6,221	6,250
EBITDA	128	125	211
Depreciation	244	244	244
Tax expense	10	0	0
Net profit/(loss) after depreciation and tax	(126)	(119)	(33)

The budgets for the 2014/15 and 2015/16 years are presented above. At this point in time, PWV expect that the 2014/15 outcome to be similar to the 2013/14 result despite the Town Hall being closed for the entire 2014/15 year. In 2015/16 an improved result is budgeted driven by revenue growth.

8.5 Financial position

Positively Wellington Venues Budgeted Financial position

\$'000	30-Jun-13	30-Sep-13	31-Dec-13	31-Mar-14	30-Jun-14	30-Jun-15	30-Jun-16
Bank & cash	115	(329)	311	68	(132)	(207)	(196)
Debtors	1,000	900	900	750	1,000	1,000	1,000
Accrued income	500	250	150	250	500	500	500
Inventory	50	50	50	50	50	50	50
Prepayments	50	50	50	50	50	50	50
Total current assets	1,715	921	1,461	1,168	1,468	1,393	1,404
Fixed assets	1,155	1,419	1,358	1,297	1,236	1,192	1,148
Total assets	2,870	2,340	2,819	2,465	2,704	2,585	2,552
Creditors	1,000	1,200	1,200	1,000	1,000	1,000	1,000
Employee Entitlements	350	435	350	380	350	350	350
GST	10	(80)	170	0	10	10	10
Revenue in Advance	1,200	900	900	1,150	1,200	1,200	1,200
Provisions	40	20	0	0	0	0	0
Total current liabilities	2,600	2,475	2,620	2,530	2,560	2,560	2,560
Shareholders' funds	270	270	270	270	270	144	25
Current year result	0	(405)	(71)	(335)	(126)	(119)	(33)
Total liabilities and equity	2,870	2,340	2,819	2,465	2,704	2,585	2,552

8.6 Statements of cash flows

	Q1 2013/14	Q2 2013/14	Q3 2013/14	Q4 2013/14	Cashflow 2013/14	Cashflow 2014/15	Cashflow 2015/16
Cash flows from operating activities							
Receipts from venue management	3,359	4,509	3,022	3,780	14,671	14,671	14,964
Receipts from other operating activities	157	158	155	155	625	625	625
Interest income	5	5	5	5	18	18	18
Payments to suppliers and employees	(3,550)	(4,282)	(3,254)	(4,150)	(15,236)	(15,189)	(15,396)
Good and services tax (net)	(90)	250	(170)	10	0	0	0
Net cash flow from operating activities	(119)	640	(243)	(200)	78	125	211
Cash flows from investing activities							
Purchase of property, plant and equipment	(325)	(0)	(0)	0	(326)	(200)	(200)
Net cash flow from investing activities	(325)	(0)	(0)	0	(326)	(200)	(200)
Net increase/(decrease) in cash and cash equivalents	(444)	640	(243)	(200)	(247)	(75)	11
Cash and cash equivalents at the beginning of the period	115	(329)	311	68	115	(132)	(207)
Cash and cash equivalents at the end of the period	(329)	311	68	(132)	(132)	(207)	(196)

Cashflows are presented which reconcile with the budgeted financial performance and financial position as above. Cash balances are expected to fluctuate between \$0.5m overdraft and \$0.5m credit during 2013/14. This range is likely to be similar in 2014/15 and 2015/16.

8.7 Capital expenditure

The following items are currently included in the 2013/14 budget, but full business cases, including funding options, will be presented to the board for approval prior to any actual Capital Expenditure taking place:

- Redevelopment work at the St James Theatre
- New look seating for Shed 6
- Cleaning equipment and recycling stations

Cost estimates are being sought for these projects at the time of writing.

8.8 Major transactions

Apart from the capital expenditure noted above PWV has no other plans for major transactions in the 2013/14 financial year.

9. Appendix 2: WCC's 2040 Goals

