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**REPORT 1**  
(1215/52/IM)

**Report of the Council Controlled Organisation Performance  
Subcommittee**  
**Meeting of Monday 8 December 2008**

**Members:** Mayor Prendergast, Councillors Coughlan, Foster, Ritchie,  
James Ogden (Chair) and Alan Isaac

**MATTERS CONSIDERED BY THE SUBCOMMITTEE**

The Council Controlled Organisation Performance Subcommittee dealt with a number of issues for which it has delegated powers to act and therefore these are before the Strategy and Policy Committee for noting.

The Subcommittee hereby recommends that the information be received.

1. **ITEM 039/08FM AGREEMENT ON CAPACITY SAVINGS MODEL**  
(1215/52/02/IM) (REPORT 3) (Attached as Appendix 1)

*THAT the Strategy and Policy Committee:*

*1. Note the following:*

- a. That when Wellington Water Services Limited (Capacity) was established in 2004 one of the company's objectives was achieving for both Wellington City Council and Hutt City Council total targeted cost reductions of \$4.18 million over the first five years of the Contract for Provision of Services Related to Water Services (Service Level Agreement).*
- b. That the Service Level Agreement contains targeted cumulative cost reductions for Wellington City Council of \$2.505 million during the first five years ending 30 June 2009 and \$0.960 million per annum thereafter.*
- c. That agreement has been reached between Wellington City Council and Capacity on the model to be used by Capacity to calculate operational expenditure savings for the five years ending 30 June 2009*

- d. *That the agreed savings model indicates \$0.702 million in cost reductions have been achieved in the four years to 30 June 2008, against a target of \$1.545 million*
- e. *That Capacity has advised Wellington City Council that the Company does not consider it will be possible to meet the cumulative cost reduction target of \$2.505 million by the 30 June 2009 expiry date of the Service Level Agreement.*
- f. *That the Council Controlled Organisation Performance Subcommittee request Capacity reforecast the cumulative cost reductions to 30 June 2009 and report the results back to the Subcommittee at its meeting in March 2009*
- g. *That, while Wellington City Council officers consider it unlikely that the annual cost reduction (savings) target of \$0.960m to apply from 1 July 2009 will be met, Capacity and Wellington City Council have agreed to work together to establish a revised target, and that this target is realistic and measurable. This is to be reported back to the Subcommittee on a quarterly basis.*
- h. *That Capacity has secured a two year fixed fee contract for the provision of water services to Upper Hutt City Council commencing 1 July 2008. The contract may either pose some cost risk to Wellington City Council if costs of provision exceed the fixed fee. However the contract may provide potential surplus for Wellington City Council if the fixed fee exceeds the costs of service provision. The Subcommittee has requested a progress report be given to the March 2009 meeting comparing actual costs against the fixed fee.*
- i. *That Upper Hutt City Council has requested Wellington City Council and Hutt City Council, as the existing shareholders of Capacity, develop a proposal under which Upper Hutt City Council would take an equity position in Capacity*
- j. *That officers will report back to the Subcommittee in March 2009 on the implications of recommendation 2(i).*
- k. *That Capacity and Wellington City Council will commence a review of the Service Level Agreement in the New Year with a view to concluding negotiations by 31 March 2009 as required by the current Service Level Agreement prior to expiry of the current term on 30 June 2009, and that strategic (asset) planning is among the many items to be reviewed. It is noted that support from Wellington City Council's monitoring staff may help to achieve this.*

- l. That the Subcommittee suggests that the new Service Level Agreement should reflect service contracts and not governance and ownership matters.*
- m. That Capacity asserts that additional savings such as capital expenditure have been delivered by the company but are not captured by the Savings Model.*

2. **ITEM 040/08FM REVIEW OF THE PERFORMANCE OF ALL COUNCIL CONTROLLED ORGANISATIONS FOR THE QUARTER ENDED 30 SEPTEMBER 2008**

(1215/52/02IM) (REPORT 4) (Attached as Appendix 2)

*THAT the Strategy and Policy Committee:*

- 2. *Note the following matters with regard to the first quarter 2008/09 performance of Council Controlled Organisations:*
  - a. The Basin Reserve Trust is performing well and continues to grow its revenue streams, in particular through confirming a naming rights sponsor for the next 3 years. The Subcommittee suggests that the Basin Reserve Trust seek external funding for improvements including practice wickets.*
  - b. An agreed position has been reached between Capacity and the Council with regard to the Savings Model and will be assessed and advised on by the Council Controlled Organisation Performance Subcommittee to SPC in early 2009.*
  - c. The impending renewal of the Service Level Agreement between Council and Capacity makes it appropriate to consider whether Council should take over responsibility for the strategic planning of water assets.*
  - d. The Subcommittee was concerned at the inaccuracies of financial information in the first quarter performance report from Capacity and asked officers to clarify this before the March 2009 meeting. The Subcommittee requests that Capacity reports to Council officers on a monthly basis until satisfied that reporting is accurate. These monthly reports should be signed by the Chief Executive Officer and the Chairman.*
  - e. Positively Wellington Tourism will aim to capitalise on the successful launch of their new domestic marketing campaign as well as seeking to increase Wellington's share of the Australian market. The Subcommittee notes the recent underperformance of i-site and that Positively Wellington Tourism is endeavouring to address this. The Subcommittee anticipates an update on the relocation options for i-site at its next meeting.*

- f. The St James Theatre Charitable Trust has already been impacted by the economic downturn and its decline in working capital continues to present a challenge. Wellington City Council officers are closely monitoring cash flow.*
- g. Wellington Cable Car Limited performed strongly and the Subcommittee notes the recent payment of a \$311,308 dividend for the year ended 30 June 2008 to the 100% shareholder, Wellington City Council.*
- h. The Subcommittee notes the review of Wellington Waterfront Limited currently being considered by the Strategy and Policy Committee.*
- i. The Museums Trust intends to approach the Council for an increase in its baseline operational funding to cover a number of issues. This will be reported on to the Strategy and Policy Committee as part of the Long Term Council Community Plan process.*
- j. The Zoo's external sponsorship funding increased to \$2.25 million during the quarter and construction of the new animal hospital started; the Subcommittee notes the internal project controls employed by the Zoo and Wellington City Council Officers.*
- k. The Westpac Stadium continues to perform well, helped by the strong performance of the Wellington Lions, though attracting overseas artists may prove difficult in the current economic climate.*
- l. The Subcommittee notes that the first in a series on project management reports on the Karori Wildlife Sanctuary Trust Visitor Centre project will be coming to the March 2009 meeting and also the enhanced project management resource.*

**James Ogden**  
**Chair**