
REPORT 3
(1215/52/02/IM)

FINAL STATEMENTS OF INTENT FOR COUNCIL CONTROLLED ORGANISATIONS FOR THE YEAR 2010/11

1. Purpose of Report

To provide the Subcommittee with the final 2010/11 Statements of Intent received from Council Controlled Organisations (CCOs), in compliance with Local Government Act 2002 and Council reporting requirements.

2. Recommendations

It is recommended that the Subcommittee:

1. *Receive the information*
2. *Note that following the last Subcommittee meeting the Chair wrote to the Council Controlled Organisations requesting changes to be made in their Statements of Intent and that the majority of these changes have been included in the final Statements of Intent*
3. *Note that the usual practice is for the Strategy and Policy Committee to approve Statements of Intent; however, given that there are no more Strategy and Policy Committee meetings before 30 June 2010, officers advise that the Subcommittee should make its recommendations direct to Council*
4. *Agree to recommend that the Council approve the following 2010/11 Statements of Intent as outlined below:*
 - a) *Basin Reserve Trust*
 - b) *Capacity*
 - c) *Positively Wellington Tourism*
 - d) *St James Theatre Charitable Trust*
 - e) *Wellington Cable Car Ltd*
 - f) *Wellington Waterfront Limited*
 - g) *Wellington Zoo Trust*
 - h) *Wellington Regional Stadium Trust*

5. *Agree to recommend that the Council approve the Wellington Museums Trust 2010/11 Statement of Intent and note that the Trust is undertaking a review of its priorities in the first half of 2010/11*
6. *Agree to recommend that the Council approve the Karori Sanctuary Trust 2010/11 Statement of Intent and recommend that the Trust Management provides regular updates to the officers in accordance with the principles set out in section 10.2 of the Statement of Intent*

3. Background

The requirements for Statements of Intent (SOIs) are prescribed in the Local Government Act 2002. The requirements in the Act are modelled on those for Crown entities which are now set out in the Crown Entities Act 2004.

Under the Local Government Act 2002, CCOs are required to submit a draft SOI to the Council by 1 March in the previous financial year. As a matter of good practice, the Council preceded this with a Letter of Expectation, sent to all CCOs in January, which outlined the Council's expectations in respect of the SOIs to be received. This process provided both the Council and the CCOs with an opportunity to fine tune respective expectations ahead of submitting the final SOI for Council approval prior to the beginning of the 2010/11 financial year.

Officers received the draft SOIs and tabled these at the CCOPS meeting on 30 April. This report included issues that had been identified in each SOI that were expected to be addressed in the final SOI. The Chair of the Subcommittee wrote to each CCO, highlighting these issues and requesting that they be addressed in the final SOI, to be submitted to officers by 28 May.

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

4. Entities covered by this report

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

- Basin Reserve Trust
- Capacity
- Positively Wellington Tourism
- St James Theatre Charitable Trust
- Wellington Cable Car Ltd
- Wellington Museums Trust

- Wellington Waterfront Limited
- Wellington Zoo Trust

A final SOI has been received by the following entities that the Council treats as CCOs:

- Wellington Regional Stadium Trust
- Karori Sanctuary Trust

5. Issues for the Subcommittee to consider

5.1 *Basin Reserve Trust*

In its final SOI for 2010/11 Basin Reserve Trust (the Trust) has responded to points raised by CCOPS in its letter on 30 April.

The Trust has provided some details relating to the operational risks that the Trust may face such as, perhaps, a loss of funding, insufficient number and type of events, adverse media commentary, emergence of rival venues, loss of staff, etc. The Trust outlines that the bulk of its income is relatively stable as it includes the Council grant, long-term naming grants and long-term concession licence income. The Trust outlines the reduction in expenditure as an immediate mitigation measure to any significant downturn in revenue. The Trust is confident that its status as a suitable ground for hosting test cricket matches is not in doubt as it has a close relationship with NZC and has recently entered into a dialogue to secure a long term hosting agreement. The Trust also acknowledges that it must continue to maintain the ground a standard suitable for international cricket.

As recommended, the Trust has included a new KPI that relates to Council subsidy per visitor and has briefly responded to the issue of the rising GST by planning to review its pricing structure.

The Trust is planning to complete a maintenance and refurbishment programme in the coming months. This will inform its plans regarding the screen replacement in the future. The screen has a 10 year asset life and is currently 2.5 years old.

The Trust has highlighted its willingness to work with other CCOs in a coordinated effort to maximise the visitor experience to Wellington, particularly with the Rugby World Cup taking place in 2011 and it has outlined possible initiatives to achieve this.

The final SOI shows an adjustment to the Trust's KPIs in relation to the Council funding that has increase from less than 35% of total revenue to less than 38% of total revenue. The financial statements show that Council funding is 37% of total funding in 2010/11, 33.6% in 2011/12 and 36.3% in 2012/13. Officers agree with this change.

Officers recommend that Council approve the Trust's 2010/11 SOI.

5.2 Capacity Infrastructure Services Limited

The final 2010/11 SOI of Capacity Infrastructure Services Limited (Capacity or the Company) is well presented and generally provides a good overview of its planned operating activities for the year.

The Company has responded to the points raised by CCOPS in its letter of 30 April and an overview of the changes is given below:

- More discussion has been included of having achieved anticipated efficiencies from past investments, although officers note that there is limited discussion on ways to achieve further cost efficiencies. There is also additional detail on the historic return to shareholders from Capacity's business expansion.
- In addition to commentary on the water conservation and efficiency plan, the Company has included additional comments on climate change, how it is being incorporated into the asset planning process and company efforts to minimise waste.
- Capacity has added significant explanation to its benchmarking initiative to provide the context for its work on benchmarking relative to work being undertaken elsewhere.
- A more thorough overview is given of the Company's approach to managing risk, including a chart showing Capacity's risk profile for the years 2005 through 2009, and a discussion of some of the principal risks, their potential impacts and identified mitigation measures.
- The comment about potential additional funding from shareholders has been clarified as relating to the current strategic work around either establishing an integrated regional water office and/or developing an integrated information management system.
- The requested KPI wording has been added. Officers note that under the SLA, CCOPS may also request the reporting of other metrics on an as needed basis.

In addition, officers note that the Company has added an additional KPI targeting fewer than 1.2 wastewater incidents reported per km of wastewater reticulation pipeline.

It is also worth observing that Capacity's final SOI adds discussion of a request to consider a further premises move, with the aim of establishing office accommodation capable of housing regional water services staff in one location.

Officers recommend that Council approve the Company's 2010/11 SOI. Please note that Capacity's final SOI needs to be agreed by the two shareholders, Wellington City Council and Hutt City Council.

5.3 Positively Wellington Tourism

The 2010/11 final SOI for Positively Wellington Tourism (PWT or the Trust), submitted with its business plan, has responded to the points raised in the letter from the Chair of the Subcommittee, dated 30 April.

In the draft SOI the Trust stated that their goal is "to outperform forecasted visitor expenditure growth in New Zealand by 5% each year". This statement is now updated to include *international* visitor expenditure which is achievable given the 7% growth in Australian and 2% increase in other areas of activity.

CCOPS also asked that final SOI include information about reasons for the stagnant trading income and how PWT will achieve Council's finding at less than 50% of total income which is not reflected in the financial statements. The final SOI financial statements now show an increase in trading income and the Council funding at 47% of total PWT income.

In response to CCOPS request to provide an outline of potential strategies for dealing with the GST increase from 12.5% to 15%, the Trust has confirmed that this will have little or no impact on their activities.

The Trust has responded to the subcommittee's request to include all performance measures regarding the Australian marketing, as agreed at the SPC meeting in June 2009 by including those in the Business plan. PWT will be reporting on the outlined performance indicators on a quarterly basis.

The Trust has defined new Key Performance Indicators (KPIs) for the Karori Wildlife Sanctuary and the Carter Observatory. It has provided more details on the mechanisms of the MoU agreements, including outputs such as joint development of marketing plans and bi-monthly reviews. In addition, a KPI relating to the Rugby World Cup has been included.

PWT was asked to further consider what services could be foregone if their annual operating grant was reduced by 5%. The Trust has indicated that the reduced investment will impact significantly on the domestic marketing activities, which if funding is not available would effectively be stopped altogether. The reduction of income would also affect the PWT's ability to raise funds from the private sector and other non Council funded agencies and organisations.

Officers recommend that Council approve the Trust's final 2010/11 SOI.

5.4 St James Theatre Charitable Trust

As noted in April, the St James Theatre Charitable Trust's (the Trust's) Statement of Intent and Business Plan are impacted by the current proposal to merge the operations of the Trust and Wellington Convention Centre. This proposal has been approved in principle by the Council's Strategy and Policy Committee (SPC) which will recommend to Council at its meeting on 25 June that the proposal be public consulted on.

The Trust has responded to the points raised by CCOPS in its letter of 30 April and an overview of the changes is given below:

- In response to the request to outline proposed activities in relation to climate change action, and waste minimisation and emissions trading legislation the Trust has indicated that these will be taken into account in all planning. The Recycle Reduce Reuse programme has been in place for two years. If financially possible, the Trust plans to achieve Green Globe certification over the next two years. The Trust has provided information about immediate actions, short term goals and medium to long term goals in relation to this issue.
- In its final SOI the Trust has presented forecast financial statements for 2009/10 to 2011/12, and has developed KPIs that measure performance against their stated objectives. The financial statements are consistent with previous years. The Trust forecasts an increase in a number of performances at both St James and Opera House and a slight reduction in non-performance events compared to 2009/10.

Officers recommend that Council approve the Trust's final SOI, noting the impact of the proposed merger with Wellington Convention Centre.

5.5 Wellington Cable Car Limited

The 2010/11 final SOI for Wellington Cable Car Limited (the Company or WCCL), submitted with its draft business plan, responds to the majority of the points raised in the letter from the Chair of the Subcommittee, dated 30 April. It should be noted that the business plan is labelled as draft, awaiting written confirmation from Greater Wellington Regional Council (regional council) on its funding of the overhead trolley network program for 2010/11.

In his letter the Chair of the Subcommittee requested that the Company include:

- *strategic discussion of the plans for Rugby World Cup 2011, improving the visitor experience in the Kelburn precinct, increasing coordination with other Kelburn precinct stakeholders, and the progress of the overhead trolley bus network review work and funding agreement;*

- *the Company's plans for achieving additional revenue through use of the existing overhead trolley bus network;*
- *further discussion of climate change and waste minimisation;*
- *further detail of the Risk and Vulnerability schedule;*
- *further detail on the Cable Car tourism new initiatives KPI;*
- *an outline of potential strategies for dealing with the likely Government GST increase; and*
- *information about leveraging the hop on-hop off bus initiative.*

There are limited changes in the actual SOI. The key ones are:

- The Company has expanded on the fact that one of its Board objectives is to be RWC 2011 ready and to consider the environmental impacts of its work. It also added an additional environmental consideration to its discussion of long term community outcomes.
- WCCL has substituted a new KPI, replacing the Cable Car tourism new initiatives KPI with a KPI to obtain Qualmark endorsement (to confirm it meets established tourism standards).

However, the draft business plan provides additional commentary and detail on a number of the issues raised by CCOPS, including further discussion of the funding agreement with regional council, the timing of increases in pole user charges in regard to the overhead network, and commentary on a number of business and financial risks WCCL faces. The plan also notes that the Company is considering incorporating the GST increase into a revised cable car fare structure.

A review of the business plan shows:

- The Company has budgeted for \$505k in 2010/11 for the refurbishment of the Kelburn terminal (noting it will not impact on RWC 2011).
- The budgeted surplus for 2010/11 for WCCL is \$378k, after a budgeted subvention payment of \$162k. This is higher than the estimated 2010/11 net surplus included in the 2009/10 SOI of \$254k, largely reflecting an increase in budgeted external activities revenue and a decrease in budgeted administration expenses.
- There are two significant third party overhead network projects scheduled for 2010/11: the Manners Mall project and the roundabout realignment at Cobham Drive / Troy Street.

As a result, officers are comfortable that the Company has provided enough detail to clarify some of its strategic thinking and the issues that it is currently facing, in addition to its contributions to Council outcomes. Officers recommend that the Council approve the Company's final SOI.

5.6 Wellington Museums Trust

The 2010/11 final SOI for Wellington Museums Trust (the Trust) provides a good overview of activities planned for 2010/11. The final SOI has not been significantly amended following receipt of the letter from the Chair of the Subcommittee, dated 30 April. The Trust has responded to some of the points raised by CCOPS in the Trust letter that is attached to the final SOI.

In the final SOI, the Trust has made amendments to incorporate Carter KPIs and has responded to the issue regarding an increase in GST which for the Trust *may mean an increase in the pricing of services, admission and retail across the Trust*. In response to the CCOPS request to provide information about the review timeline, the Trust indicates that the review will be undertaken in the first half of 2010/11.

The financial statements have been updated and now show a reduced level of deficit in 2011/12 (from \$169k in the draft SOI to \$35k in the finals SOI) and slightly reduced deficit in 2012/13 (from \$330 to \$302k).

The Trust has indicated that the cost of operating the City Gallery Wellington has proved to be approximately \$200k per annum more than previously estimated. If the issue is not addressed, this can be a significant risk for the Gallery medium to long-term. The Trust has funded a proportion of this additional cost (by saving, postponing some projects and by reducing the exhibition programme). The Trust states that risk reflects the less than optimal funding of the Gallery and that it has responded to this issue by starting a review of the Trust priorities. Similarly, the Gallery visitor numbers are reduced due to several factors. Firstly the Trust states that it is unlikely to repeat the success of the exhibition *Yayoi Kusama: Mirrored Year* and secondly, that it plans to charge admission for an exhibition which will impact visitor numbers. Officers note that the Gallery visitor target is below the historic visitor numbers achieved in years prior to the Gallery redevelopment.

In response to the request to provide information about new/reviewed strategy and expected Council support relating to Capital E, the Trust has pointed that the concept review is underway and that Trust will engage Council on issues relating to the building, that has some significant maintenance problems. The Trust will be in a position to report on this issue to the Council by November 2010.

The Trust has indicated that it will take all opportunities to leverage off other visitor attractions including information sharing and formal partnerships. It has also provided some examples of joint initiatives such as Matariki celebrations and Wellington Anniversary Day celebrations.

The Trust has included requested commentary regarding Carter funding from fundraising activities and its future capital programme.

Officers note that the issue of the Trust operating deficit in 2012/13 will be addressed by the Trust through the review of the Trust's priorities.

Officers note that issues regarding the Trust's response to increased costs associated with the City Gallery, projected final position and priorities are still to be addressed as part of the review being undertaken by the Trust. Officers recommend that final SOI 2010/11 is approved by Council noting that these issues will be addressed by the review.

5.7 Wellington Waterfront Limited

As noted in April, Wellington Waterfront Limited (WWL) has produced a comprehensive Statement of Intent. Council and WWL officers have recently prepared the draft 2010/11 Waterfront Development Plan, which goes to the Strategy and Policy Committee for approval on 23 June.

Officers recommend that WWL's final SOI 2010/11 is approved by Council, based on it being consistent with the Waterfront Development Plan.

5.8 Wellington Zoo Trust

The Zoo's draft SOI and business plan were fairly comprehensive and gave a good overview of the Zoo's operations, the strategies it is implementing and the challenges that it continues to face. The Subcommittee highlighted some issues, which the Trust has addressed in its final SOI, and this is discussed below.

The Zoo has undertaken some rigorous market research around visitor attraction pricing and, having ensured that it can add value to its customers will increase some of its prices in July to assist with budgeting, but also to absorb the GST increase in October.

The Zoo notes that it is keen to see the HoHo Bus initiative implemented and has already started working with PWT to develop packages of experiences. The initiative will be supported through the Zoo's marketing spend and the Zoo expects to see some uplift in domestic and international tourist numbers as a result.

The Zoo has reviewed its performance measures and rationalised them, including in its final Statement of Intent those measures which report on the original Zoo Capital Plan objectives and the ongoing growth of the Zoo's business. Some of the old measures, for example, around LEOTC funding have been removed and will be reported through narrative. The ten measures that the Zoo has retained will still enable informed assessment of its performance.

Officers accept the Zoo's responses to the letter from the Chair of the Subcommittee and recommend that it approves the Zoo's final SOI.

5.9 Wellington Regional Stadium Trust

The final SOI for Wellington Regional Stadium Trust (the Trust), submitted with its business plan for 2010/11 and a summary of its 5-year strategic plan, is clear and thorough, allowing officers to understand the Trust's operations and the risks and opportunities that it faces. Accordingly officers recommend that Council approves the Trust's SOI. Please note that the Trust's final SOI needs to be agreed by the two settlors, Wellington City Council and Greater Wellington Regional Council.

The Trust has responded to the points raised by CCOPS in its letter of 30 April, including discussion of the main recommendation arising from the Marsh risk management analysis (updating the business continuity plan) and discussion of the Trust's financial ability to carry out repairs to the roof and cladding if this proves to be necessary. Officers note that the Trust has also added detail on perceived risk levels and mitigation measures to the overview section in its 5-year strategic plan.

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

- The Trust will have held 51 events by the end of 2009/10; it considers that between 45 and 50 events is the maximum number which can reasonably be expected to be held in a year.
- The Trust is estimating a net surplus of \$3.7m for 2009/10 and an external bank loan balance of \$13.5m by June 2010. This would be well above the revised forecast surplus of \$2.7m for 2009/10. The Trust does not expect to be able to repeat this performance; it notes that the success of this year was almost totally due to a number of unexpected and popular events.
- Forecast surpluses for the next 3 years are between \$1.28m and \$3.31m. The highest amount is forecast for the 2011/12 year which includes the 2011 Rugby World Cup.
- For 2010/11 the Trust is forecasting holding 47 events, resulting in events income of \$5.12m and a net surplus of \$1.28m. Relative to the 2010/11 estimates in last year's SOI, events income is higher (was \$4.83m) and the net surplus is lower (was \$1.86m), reflecting higher operating costs.
- Commercial loan repayments are ahead of schedule, but there is no expectation to repay the debts owed to the settlors over the period of the SOI.

5.10 Karori Sanctuary Trust

As part of the funding deed for its \$10.38 million interest free loan from the Council, the Karori Sanctuary Trust (KST or the Trust) agreed to adopt the Council quarterly reporting cycle and to prepare an annual Statement of Intent.

The Trust has responded to all of the points raised by CCOPS on 30 April 2010. The Trust has addressed the issues highlighted by the Subcommittee as it is discussed below.

The Trust has not yet determined the detail of its responses to the increase in GST. The Trust is currently seeking expert advice and is in the process of talking to various visitor attractions to assess the impact of the proposed changes before making any decisions.

The Trust notes that 2010/11 is the last year when the Trust will receive a significant operation funding from the Council. A reduction of 5% in funding will have the cumulative impact on the early stages of the New Visitor centre's operations, which are the most critical.

In response to the Subcommittee's request to outline in more detail the mitigation measures relating to the risk of not achieving the visitor and revenue targets, the Trust emphasises that its main focus in terms of financial risks is to achieve the revenue targets. Mitigation measures include revisiting assumptions such as the level of capital expenditure, reducing costs where possible, fundraising, marketing of promotion packages, driving more income for ancillary operations and working more closely with key partners. The reduction in operating programmes (conservation) is seen by the Trust as the last resort.

The Trust has highlighted the importance of working closely with Positively Wellington Tourism. In practical terms the Trust would like to maximise all promotional opportunities, to align marketing campaigns of the Trust and PWT and to work together to plan and execute marketing programmes. Similarly, the Trust has indicated its efforts to work closely with other visitor attractions, particularly Cable Car and Carter Observatory.

In response to monthly reporting in the first year of the New Visitor centre, the Trust has indicated this request is not justified or appropriate as the Trust is not a CCO. It adds that the last years restructuring of the Board achieved increased commercial focus of the Board. Officers recommend that the Trust Management provides regular updates to the officers in accordance to the principles set out in section 10.2 of the SOI.

Officers accept the Trust responses to the letter from the Chair of the Subcommittee and recommend that Council approves the Karori Sanctuary Trust's final SOI.

6. Conclusion

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

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

Contact Officers:

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Supporting Information

1) Strategic Fit / Strategic Outcome

These entities and projects support the achievement of a range of outcomes across most strategic areas. CCOs are required to state in their Statements of Intent how they contribute to Council's strategic goals.

2) LTCCP/Annual Plan reference and long term financial impact

Please refer to the individual covering report that prefaces each entity.

3) Treaty of Waitangi considerations

This report raises no new treaty considerations. Where appropriate the entities do consult with the Council's Treaty Relations unit, and with the Tenth's Trust, as part of normal operations.

4) Decision-Making

This is not a significant decision.

5) Consultation

a) General Consultation

A draft of each entity report will be circulated to the individual entity, with comments passed on to the sub-committee as appropriate

b) Consultation with Maori

See section 3, above.

6) Legal Implications

The Council's lawyers have been consulted during the year as part of normal operations. There are no new legal issues raised in this report.

A Statement of Intent is a legal requirement for CCOs under the Local Government Act 2002.

7) Consistency with existing policy

This report is consistent with existing WCC policy.