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**REVIEW OF THE PERFORMANCE OF ALL COUNCIL  
CONTROLLED ORGANISATIONS FOR THE QUARTER  
ENDED 30 SEPTEMBER 2010**

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**1. Purpose of Report**

To provide the Subcommittee with an analysis of the performance of all Council Controlled Organisations (and other selected entities) for the quarter ended 30 September 2010, in compliance with the Local Government Act 2002 and Council reporting requirements.

**2. Recommendations**

Officers recommend that the Subcommittee:

1. *Receive the information*
2. *Recommend that the Strategy and Policy Committee notes the following matters with regard to the first quarter 2010/11 performance of Council Controlled Organisations:*
  - (a) *The Basin Reserve Trust lost its principal naming rights sponsor, Allied Nationwide Finance, after the company was placed in receivership in August. Specialist advice has been contracted to support the Trust in attaining a new sponsor.*
  - (b) *For the first quarter, Capacity underspent relative to budget on capex for Wellington City Council. The Company expects that the capex work program will be completed and the budget will be fully spent by the end of the year.*
  - (c) *Positively Wellington Tourism is working closely with Rugby New Zealand 2011 to ensure that Wellington leverages the national activity and investment in RWC 2011 as much as possible. Joint marketing initiatives by Karori Sanctuary, Carter Observatory and Wellington Zoo will be developed during the year.*

- (d) The St James Theatre Charitable Trust was below budget for number of performances and non-performance events. However next quarter is looking good with performances and bookings strong.*
- (e) Wellington Cable Car Limited had a mixed quarter. Cable car passenger numbers for the quarter were below budget and below last year; however, the operating surplus was ahead of budget for the quarter (including some timing issues).*
- (f) Overall, visitor numbers for the Museums Trust in the first quarter were 129,018, below its quarterly target. Museum of Wellington and Carter Observatory performed particularly well; however, City Gallery, Capital E and Cable Car Museum were below their quarterly targets.*
- (g) Council announced on 1 December 2010 that it would consider a recommendation from the Board of Wellington Waterfront Limited that the company be reviewed next year in light of the effect of the global financial crisis on the property market.*
- (h) The Zoo's sponsorship partnership with ASB was launched in September. Visitor numbers are currently ahead of target and last year.*
- (i) Wellington Regional Stadium Trust had a good first quarter with 16 events hosted. The Trust continues to meet regularly with the Regional Coordination Group and Rugby New Zealand 2011 as part of Rugby World Cup preparations.*
- (j) Karori Sanctuary Trust came close to achieving its quarterly visitor target and achieved an operating surplus of \$260k against a budgeted surplus of \$104k.*
- (k) The Transition Working Group has been making steady progress in the establishment of the new Venues council-controlled trading organisation. As at 1 February 2011 all of the activities of Wellington Convention Centre will transfer to the new entity, Wellington Venues Limited.*

### **3. Background**

It is a requirement of the Local Government Act 2002 (the Act) that where the Council is a shareholder in a council organisation it must regularly undertake performance monitoring of that organisation to evaluate its contribution to the achievement of:

- the Council's objectives for the organisation
- the desired results, as set out in the organisation's statement of intent
- the Council's overall aims and outcomes.

The Council Controlled Organisations Performance Subcommittee (CCOPS) is tasked with the assessment of the efficiency and effectiveness of each entity. Officers have included a brief overview that includes the agreed Key Performance Indicators and financial summaries. The issues that have been identified from officers' reviews are included in this covering report.

### **4. Entities covered by this report**

#### ***4.1 Council Controlled Organisations***

To comply with statutory requirements, officers will report quarterly to the Subcommittee on the performance of Council Controlled Organisations (CCOs). These are:

Basin Reserve Trust  
Capacity Infrastructure Services Ltd  
Partnership Wellington Trust (Positively Wellington Tourism)  
St James Theatre Charitable Trust\*  
Wellington Cable Car Ltd  
Wellington Museums Trust  
Wellington Waterfront Ltd  
Wellington Zoo Trust

\* St James Theatre Charitable Trust is currently in the process of merging with Wellington Convention Centre into Wellington Venues Ltd.

#### ***4.2 Wellington Regional Stadium Trust***

A Court of Appeal ruling clarified the Trust's status and confirmed that it is not a CCO. It is included in this report on a summary basis 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***

At previous CCOPS meetings it was recommended that a number of Council Organisations also be monitored on a quarterly basis. Accordingly, the following entities have been included within this quarter:

Karori Sanctuary Trust  
Wellington International Airport Limited (Public Excluded)

## **5. Issues for the Subcommittee to consider**

### **Council Controlled Organisations:**

#### **5.1 *Basin Reserve Trust***

The principal naming rights sponsor, Allied Nationwide Finance, was placed in receivership on 20 August. Specialist advice has been contracted to support the Trust with attaining a new sponsor. For the quarter, the number of events and event days were below target. This was due to the 'home club' (Old Boys University RFU) not qualifying to host a club rugby final and the very wet winter months requiring the closure of the ground for extended periods. Due to the Cricket World Cup in February and March 2011, there is a much-reduced international programme next summer.

#### **5.2 *Capacity Infrastructure Services Ltd***

For the first quarter, Capacity is underspent relative to budget on capex for Wellington City Council. This reflects weather related delays in water network renewals and sewerage network renewals. It also reflects spend to date on most projects being slightly behind budget. The Company expects that the capex work program will be completed and the budget will be fully spent by the end of the year. At the end of September, the opex budget (excluding stewardship accounts) for the full year was expected to be overspent, largely reflecting reactive works.

#### **5.3 *Positively Wellington Tourism (Partnership Wellington Trust)***

Positively Wellington Tourism (PWT) is working closely with RNZ 2011 to ensure that Wellington leverages the national activity and investment in RWC 2011 as much as possible. Joint marketing initiatives by Karori Sanctuary, Carter Observatory and Wellington Zoo will be developed during the year. The Australian marketing campaign is likely to target Melbourne in Q3 and Q4. The number of Australian visitors to Wellington for the quarter increased by 5.36% compared to a 0.84% increase for New Zealand overall.

#### **5.4 *St James Theatre Charitable Trust***

The first quarter was a mixed period for St James Theatre Charitable Trust with a very busy July, a quiet August and a steady September month. Overall number of performances and non-performance events were below budget,

although utilisation days were above budget. Next quarter is looking good with performances to date and bookings strong

#### ***Update on Merger with Wellington Convention Centre***

The Transition Working Group has been making steady progress in the establishment of the new Venues council-controlled trading organisation. As at 1 February 2011 all of the activities of Wellington Convention Centre will transfer to the new entity, Wellington Venues Limited (WVL). The activities of St James Theatre Charitable Trust will transfer into WVL in time for the start of the new financial year 1 July 2011. A new CEO for WVL has been appointed, Glenys Coughlan, who will start in her new position early in the New Year.

The name for the new company, Wellington Venues Limited, has been reserved and the company will be established once the constitution has been finalised. The Board of the new entity was appointed by Council at its meeting of 6 October 2010. Council also resolved to increase the number of directors on the Board to include an additional director with specific experience in the arts field, this appointment will be made in the New Year. The new entity will operate its back office functions on a shared services basis utilising the Council's information systems, financial and payroll systems.

#### ***5.5 Wellington Cable Car Ltd***

Overall, cable car passenger numbers for the quarter were 228,809, which was 7.8% below budget and 11.8% below the same period in the previous year. The result is primarily attributable to the current economic climate. Wellington Cable Car Limited is concerned about the recent lower patronage of some of the passenger categories, especially commuters, and is commissioning a survey to obtain data on this trend. Based on these results, action will be taken as appropriate.

The operating surplus for Q1 of \$77k was above the budgeted deficit of \$41k. This is mainly due to higher income from external activities because of the timing of activities in the preparation phases. Lower than budgeted cable car maintenance and administration costs also contributed. These all largely reflect timing issues.

#### ***5.6 Wellington Museums Trust (including Carter)***

Overall, visitor numbers for the Museums Trust in Q1 were 129,018, 7% short of its quarterly target. Museum of Wellington and Carter Observatory performed particularly well; however, City Gallery, Capital E and Cable Car Museum were below their quarterly targets. This mixed performance is attributed to the current economic and tourism climate and, in the case of City Gallery, some timing variances.

The Trust has continued work on its review of priorities; this is now feeding into a strategic planning process. Museums Trust institutions have developed

programmes for RWC 2011 and sought funding from the NZ 2011 Festival Lottery Fund.

### **5.7 Wellington Waterfront Ltd**

Council announced on 1 December 2010 that it would consider a recommendation from the Board of the company that the company be reviewed next year in light of the effect of the global financial crisis on the property market. Council will consider a report on the proposed review at its meeting of 15 December 2010.

### **5.8 Wellington Zoo Trust**

To 31 October, visitor numbers of 65,316 are ahead of the YTD target by 14% and ahead of last year's YTD by 12%. The first quarter operating surplus of \$21k was above the budgeted deficit of \$79k; this is largely due to timing issues. The Zoo continues to create its marketing strategies for 2010/11 and received favourable media attention for events including the naming of the dingo puppy (Wolfrik), the birth of the pygmy marmoset and the birth of a chimpanzee. In addition, the sponsorship partnership with ASB was launched in September.

The Zoo continues its implementation of the Zoo Capital Plan. Two projects, The Roost (bird breeding facility) and The Hub (catering precinct) are currently underway. The Zoo continues to raise external sponsorship funds, with \$150k awarded since quarter end from the Pub Charity towards The Hub.

### **Other Organisations:**

### **5.9 Wellington Regional Stadium Trust**

Wellington Regional Stadium Trust had a good first quarter. The Stadium hosted 16 events, including the All Blacks vs South Africa rugby test, the Phoenix vs Boca Juniors football game and the Italian Festival. For Q1 the Trust is tracking above budget. The full year budget is for a net surplus for 2010/11 of \$1.28m. An updated full year forecast will be provided with the half-yearly report.

Total attendance for the quarter was 121,553 patrons, including 34,500 at the rugby test and 11,761 at the Phoenix vs Boca Juniors match. Excluding the Boca Juniors game, Phoenix average attendances in Q1 were largely in line with last year (~8,000); however, this has declined slightly since quarter end. ITM Cup attendances in Q1 were lower than last year and than budget at an average of ~5,600, compared to 11,300 in the prior year. This is likely to reflect a combination of the nationwide decline in rugby attendance, the performance of the Wellington Lions and a large number of games in close proximity to each other.

The Trust continues to meet regularly with the Regional Coordination Group and Rugby New Zealand 2011 as part of Rugby World Cup preparations. In addition, the Trust provided turf management services worth \$71,790 to Basin

Reserve during the quarter. The Trust also continues to work on the early stages of developing its Stadium Master Plan and has recently completed a deal with MasterCard where contactless 'tap and go' terminals will be progressively installed for food and beverage purchases.

During the quarter the Trust announced that it had completed negotiations with Fletcher Construction on residual warranty issues on the Stadium and will proceed to totally re-clad the Stadium for next year's Rugby World Cup. This project has started and is anticipated to be completed by August next year; the work will have minimal impact on the Stadium's events schedule. The Trust's contribution will be covered within existing budgets.

The Trust is awaiting a NZ Rugby Union decision on the Sevens renewal process for the 2012 tournament and beyond. Officers note that media reports suggest that Wellington was the only major city to bid for the event.

#### **5.10 Wellington International Airport Limited (Public Excluded)**

The quarterly report for the quarter ended 30 September 2010 is attached in the appendix. Council officers have reviewed the report. It does not raise any material new issues for the Subcommittee to consider.

#### **5.11 Karori Sanctuary Trust**

The Trust came close to meeting its quarterly visitor target with 16,834 visitors against a target of 17,461 and achieved an operating surplus of \$260k against a budgeted surplus of \$104k. A local marketing campaign has been developed and will be rolling out in October. Work is underway with PWT to establish various joint ticketing options with the Hop-On Hop-Off bus.

## **6. Council Controlled Organisation Team Forward Work Programme**

The CCO team's current priorities are:

- Drafting letters of expectation to be sent to the CCOs in January;
- Reviewing the Council's appointments policy for directors and trustees;
- Working through a process of addressing the potential to consolidate a range of CCO back office functions within a shared services environment;
- Monitoring and following up on monthly reporting from Karori Sanctuary Trust management, now that the Visitor Centre is open;
- Working on the proposed review of Wellington Waterfront, depending on Council decisions from the meeting of 15 December.
- Reviewing the Zoo Capital Plan over its remaining term with the Zoo Trust's management team;
- Assisting with the merger of Wellington Convention Centre and St James Trust and establishing a CCO framework for the new entity; and
- Continuing to monitor the performance of Carter Observatory now it is part of the Wellington Museums Trust.

## **7. Conclusion**

A short report prepared by officers is given for each entity's quarterly report which summarises the information for the quarter and relevant current issues. The issues for the Subcommittee to consider have been determined after review of the documents by officers and discussion with the entities. After considering these reports, the Subcommittee can, if it considers it appropriate to do so, draw any matters to the attention of the Strategy and Policy Committee.

If it considers that it will help clarify the information presented or assist with its monitoring role the Subcommittee can also ask the Chair to seek responses from a Board or Trust Chair to any queries it may have. These responses will then be tabled at the next meeting of the Subcommittee.

Contact Officers:

*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. Where relevant, reference is made to the 2010/11 Annual Plan.*

**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.*

**7) Consistency with existing policy**

*This report is consistent with existing WCC policy.*