
REPORT 1
(1215/52/02/IM)

DRAFT STATEMENTS OF INTENT FOR COUNCIL CONTROLLED ORGANISATIONS FOR THE YEAR 2011/12

1. Purpose of Report

To provide the Subcommittee with an analysis of the draft 2011/12 Statements of Intent received from Council Controlled Organisations (CCOs), in compliance with the Local Government Act 2002 and Council reporting requirements.

2. Recommendations

Officers recommend that the Council Controlled Organisation Performance Subcommittee:

1. *Receive the information.*
2. *Recommend that the Strategy and Policy Committee notes that:*
 - (a) *the Chair will write to each organisation, on the basis of the officer assessment provided in this cover report and as detailed below, requesting changes for final 2011/12 Statements of Intent for presentation to this Subcommittee at its meeting of 13 June 2011:*

Basin Reserve Trust

- *Identify strategies and opportunities for closer co-operation with PWT and other CCOs;*
- *Provide information regarding the Council's request to participate in the review of the CCO back office functions and include a KPI relating to the review; and*
- *Outline how the Trust plans to achieve Council's funding at less than 35% of total income.*

Capacity Infrastructure Services Limited

- *Officers request confirmation that Capacity will provide a higher level of detail on the active monitoring of work that may need to be undertaken during RWC 2011 to the Infrastructure team, as part of the SLA reporting process;*
- *Add a reference to the provision of a high quality, reliable water, stormwater and wastewater service to the Company's business objectives;*
- *Include an additional performance target on water quality under the service quality KPIs;*
- *Include wording equivalent to "any performance measures where targets are not being achieved (or as requested by shareholders) will be included and commented upon in Capacity's reports" in the KPI section;*
- *Add descriptions of the potential consequences and likelihoods to the risk management section;*
- *Add a column to the Forecast Financial Statements with the Company's estimated position at 30 June 2011 as a comparison;*
- *Include more detail on the emergency water and response strategy discussion, including a KPI;*
- *Confirm that a verbal shareholders briefing will be held in place of written first and third quarter reports; and*
- *Include a sentence confirming the Company's commitment to its relationship with its Council shareholders and a "no surprises" policy of open communication.*

Positively Wellington Tourism

- *Outline strategies for closer collaboration with the Council's CCOs;*
- *Provide more detailed information of the advantages of the integrated marketing model;*
- *Provide reviewed targets reflecting a better understanding of the impacts of the Christchurch earthquake on NZ visitor arrivals once available, together with the impact of other events taking place both locally during the year and across global travel trends;*
- *Include information on the outcomes achieved to date and information on specific objectives for outlined Long Haul activities for 2011/12;*
- *Outline strategies that the Trust will employ to mitigate the risk of no ongoing funding for the Australian campaign;*
- *Include a KPI that measures stakeholders' satisfaction levels relating to PWT performance; and*
- *Include information about reasons for the static trading income.*

Wellington Venues Limited

- *Officers had not received Wellington Venues Limited's Statement of Intent by the time of this report going to print.*

Wellington Cable Car Limited

- *Include discussion of:*
 - *WCCL's planned activities for RWC 2011 and how these will be integrated with the Council's own activities,*
 - *The Company's strategy for closer co-operation with PWT and other CCOs in promotional activities,*
 - *Analysis on the recent declines in cable car passenger numbers and the strategy to address this,*
 - *Plans for continued co-ordination with other stakeholders in the Kelburn tourist precinct, and*
 - *Plans for the redevelopment of the Kelburn terminal, as well as an update on the issue of user charges on poles for the overhead trolley bus network and the Technical Review Group work;*
- *Provide further detail of the Risk and Vulnerability schedule, including identifying the five key risks and how they are managed; and*
- *Add confirmation of the annual board performance review process.*

Wellington Museums Trust

- *Add a KPI on the back office function review;*
- *Include some discussion on the likely timing and cost of feasibility studies (where relevant) on the strategic plan proposals; and*
- *Include commentary on why visitor forecasts for City Gallery, Capital E and Carter Observatory are lower than previously forecast.*

Wellington Waterfront Limited

- *Provide additional detail as to potential additional revenue sources that could be developed over the next 12 months in order to improve its operating position; and*
- *Provide more specific detail on the nature of the risks identified in the SOI and their order of priority in WWL's operational planning.*

Wellington Zoo Trust

- *Include quarterly visitor targets;*
- *Consider two additional KPIs:*
 - *meeting the Zoo's 2011/12 budget, and*
 - *meeting capex targets (both financial and timing);*
- *Add discussion on the major planned capex projects and what they will add to the current Zoo experience; and*
- *Confirm the Trust's fundraising target for 2011/12.*

Wellington Regional Stadium Trust

- *Outline any work still planned before RWC 2011, even if it is not part of a major capital project;*
- *Include a rough timeline on the likely stages of the development of the Stadium Master Plan; and*
- *Consider a more regular board evaluation process.*

Karori Sanctuary Trust

- *In the light of recent discussion, the board are currently reviewing the business case for the Karori Sanctuary Trust and are not yet in a position to submit a draft Statement of Intent for 2011/12. The document will be forthcoming.*

3. Background

The requirements for Statements of Intent (SOIs) are prescribed in the Local Government Act 2002.

Under the Local Government Act 2002, CCOs are required to submit a draft SOI to the Council by 1 March in the previous financial year. As a matter of good practice, the Council precedes this with a Letter of Expectation (LoE) to CCOs, which outlines the Council's expectations in respect of the SOIs it will receive.

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

4. Entities covered by this report

4.1 Council Controlled Organisations

A draft Statement of Intent was received from the following organisations:

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

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

4.2 Wellington Regional Stadium Trust

A Court of Appeal ruling clarified the Trust's status and confirmed that it is not a CCO. The Trust has undertaken to provide an SOI because of the materiality of the Council's financial commitment to the Trust and the Trust's contribution to Council outcomes.

4.3 Council Organisations

The Karori Sanctuary Trust is now included in the Council Controlled Organisations Performance Subcommittee (CCOPS) quarterly reporting regime (all COs also provide an annual report to the Council) and by virtue of the Council's \$10.38 million non-recourse loan to them is now required to provide an SOI.

5. Discussion

5.1 Basin Reserve Trust

The Basin Reserve Trust (Trust) has produced a comprehensive draft Statement of Intent that addresses a number of the requests outlined in the Council's Letter of Expectation sent to the Trust in January.

The Trust has been a participant in the Council's Rugby World Cup 2011 (RWC 2011) planning and has offered the Basin Reserve for club rugby and other winter sport to allow other premier grounds to be used as necessary for RWC 2011. Although the Trust considers that its ability to contribute directly to RWC 2011 is not very high, it notes that there will be opportunities to increase revenue from rental of the Monstavisision screen during the RWC 2011 period.

There are limited opportunities for the Trust to establish strategies for closer co-operation with Positively Wellington Tourism (PWT) and other CCOs, and this

is reflected in the information provided through the SOI. Furthermore, there is no information regarding the Council's request to participate in the review of the CCO back office functions. Officers recommend that the final SOI include at least some outline of strategies for closer co-operation, and a KPI relating to the back office function review.

The Trust has outlined a number of the risks that it has, and the processes in place to manage them. Loss of revenue is one of the main operational risks which the Trust would seek to mitigate by reducing expenditure. The Trust is confident that the Basin Reserve will remain a suitable ground for hosting international cricket matches.

Officers note that the Trust has now attained a naming right sponsor which reduces the risk to financial sustainability. The Trust's organisational measure is to achieve the Council's funding at less than 35% of total income which is not reflected in the draft SOI financial statements (currently 36%).

Following the completion of the Basin Reserve Condition Assessment, the Trust is working closely with Council to identify the work required to bring built assets up to a steady-state condition. Along with a number of recommendations on the future of various structures at the Basin Reserve, the extensive report identifies work that needs to be prioritised and undertaken.

The Trust notes that it continues to develop its relationship with the Council's Events team and that the Trust is well positioned to identify, promote and progress any appropriate hosting and staging of events.

The Trust has forecasted operating losses for the next 3 years and notes that it should remain cash-flow positive throughout this period. The majority of revenue received will be used to fund capital improvements as well as ongoing annual maintenance.

Summary Recommendations

The final 2011/12 SOI should:

- Identify strategies and opportunities for closer co-operation with PWT and other CCOs;
- Provide information regarding the Council's request to participate in the review of the CCO back office functions and include a KPI relating to the review; and
- Outline how the Trust plans to achieve Council's funding at less than 35% of total income.

5.2 Capacity Infrastructure Services Limited

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

Capacity comments that all capital works that may impact on the RWC 2011 fixtures have been identified and programmed to be completed before 9 September or after 23 October 2011. Similarly, Capacity will ensure reactive maintenance is minimised during this period. Council officers would like a higher level of comfort that the Company is actively monitoring any work that may need to be undertaken during this period; for example, work program adjustments if projects are delayed from their original timing and steps taken to ensure reactive maintenance is minimised during this period. Officers request confirmation that Capacity will provide this higher level of detail to the Infrastructure team as part of the established SLA reporting process.

While the Company has clearly outlined its business objectives on page 6, including asset planning and management, officers consider the Company should also specifically reference the provision of a high quality, reliable water, stormwater and wastewater service and indicate the standard to be achieved.

In general, officers are comfortable that the Company's KPIs are relevant and appropriate in judging its performance; officers request an additional performance target be included under the service quality section to reflect water quality. The KPIs continue to fit with the Council's other reporting requirements. The draft SOI includes nine KPIs and incorporates information from at least five LTCCP measures and three measures from the SLA. In addition, as discussed with the Company in relation to the SLA last year, officers request that wording equivalent to the following be included: "any performance measures where targets are not being achieved (or as requested by shareholders) will be included and commented upon in Capacity's reports".

Capacity will continue to benchmark its performance where possible, maintaining the 'cost per property' survey it ran last year and aiming to develop a self assessment and benchmarking tool on asset management plan quality. Officers encourage Capacity in efforts to benchmark its performance with other supply providers.

Capacity has detailed its risk management process on pages 12 and 13 and describes a number of its principal risks. Detailed Activity Risk Management Plans are also developed as part of the Company's risk mitigation strategy. Officers consider that it would be helpful to add descriptions of the potential consequences and likelihoods of risk so it is easier to judge the relative weightings of the risks identified. For example, contamination getting into the water mains is likely to be regarded as a high priority for the Company in its risk mitigation strategy.

As requested in the Letter of Expectation, the draft SOI discusses the plans for the potential integration of information systems. It notes that \$135,000 has been included in the 2011/12 budget for preparatory work such as a business case, solution identification etc., which will only be incurred with Board approval following shareholder consultation. Any systems integration is unlikely to occur before 2012/13.

Capacity's budget and cost allocation summary in the draft SOI is broadly in line with the Council's Draft Annual Plan; the figures will be reconciled as part of the final SOI analysis. Officers request that the Company also add a revised column with an estimate to 30 June 2011 as a comparison point for the forecast figures.

As requested, the draft SOI includes an update on the water conservation and efficiency plan and on the emergency water and response strategy. The emergency water and response strategy discussion is helpful, but officers request more information given the current importance of this issue. An emergency water and response strategy KPI should also be included in the final SOI.

On page 18, the Company has requested a shift from quarterly written reporting to half-yearly written reporting. Officers are comfortable with this on the basis that quarterly analysis will continue to be provided to CCOPS by officers and that, in place of a written report for the first and third quarter, an informal shareholders briefing will be held by the Company instead.

Finally, officers request that Capacity add a sentence confirming the Company's commitment to its relationship with its Council shareholders and a "no surprises" policy of open communication.

Summary Recommendations

The final 2011/12 SOI should:

- Officers request confirmation that Capacity will provide a higher level of detail on the active monitoring of work that may need to be undertaken during RWC 2011 to the Infrastructure team, as part of the SLA reporting process;
- Add a reference to the provision of a high quality, reliable water, stormwater and wastewater service to the Company's business objectives;
- Include an additional performance target on water quality under the service quality KPIs;
- Include wording equivalent to "any performance measures where targets are not being achieved (or as requested by shareholders) will be included and commented upon in Capacity's reports" in the KPI section;
- Add descriptions of the potential consequences and likelihoods to the risk management section;
- Add a column to the Forecast Financial Statements with the Company's estimated position at 30 June 2011 as a comparison;
- Include more detail on the emergency water and response strategy discussion, including a KPI;
- Confirm that a verbal shareholders briefing will be held in place of written first and third quarter reports; and
- Include a sentence confirming the Company's commitment to its relationship with its Council shareholders and a "no surprises" policy of open communication.

5.3 Positively Wellington Tourism

Positively Wellington Tourism's (PWT or the Trust) 2011/12 Statement of Intent generally provides a good overview of planned activities.

The Trust notes that its important strategic objective is to ensure that its activities are closely aligned with Council objectives particularly in the Economic development strategy. In 2011/12 the Trust aims to ensure that Wellington is recognised as a premier destination in Australasia, building on the city's recent success of being named the Coolest Little Capital City (by Lonely Planet). The Trust has provided a detailed list of the nature and scope of the activities to be undertaken in 2011/12.

With regard to RWC 2011, the Trust outlines that it is responsible for the marketing and communication stream of activity for Wellington, and that it also has integrated its activities with Council's RWC 2011 plans. The Trust has been working closely with the Council's team to deliver and promote RWC 2011 and is a member of a Regional Coordination Group. The Trust has outlined planned activities in areas such as brand management, international and local media, consumer marketing and visitor information.

The Letter of Expectation stated that it is vital that PWT has a significant focus on promotion and support to the Council's CCOs and should work closely with these entities to develop their market offering. The draft SOI outlines PWT's plans to further explore opportunities for collaboration with various visitor attractions, building on initiatives that are already in place such as the Wellington City Pass, and the city-wide customer service strategy that is currently being developed. Officers note that only one of these initiatives is measured under KPIs (Brandon Street-Kelburn initiative). In addition, officers recommend that the final SOI further outlines strategies for closer collaboration with the other CCOs.

The Trust has indicated that it sees that there may be significant merit in the future in integrating the marketing activities of PWT and visitor attractions operated by CCOs. Officers recommend that the final SOI provides more detailed information of the advantages of this model.

The Trust notes that it will work together with the Council to complete the process of investigation into the sharing of back office functions during 2011/12. It has also included a KPI relating to this activity.

In its draft SOI, the Trust plans for a number of KPIs to remain at the 2010/11 levels, particularly in the areas of international and domestic visitors numbers, I-site revenue and visitation and revenue from partners. The Trust aims to reassess these targets once the impact of the recent events such as the earthquakes in Christchurch and Japan is better known. Officers recommend that the final SOI provides reviewed targets reflecting a better understanding of the impacts of the Christchurch earthquake on NZ visitor arrivals once available, together with the impact of other events taking place both locally during the year and across global travel trends.

In regards to the Long Haul strategy, the Trust notes that the objective of attracting a long haul airline to operate to and from Wellington is a long-term objective. Officers note that the regional partners no longer provide funding for this initiative. The Trust outlines that it has been working closely with Wellington International Airport on a number of initiatives in order to attract an airline to start flights to Wellington. It also believes that Wellington is now at a critical point to gain the long haul links. Officers recommend that the final SOI provides detailed information on the outcomes achieved to date and information on specific objectives for outlined activities in 2011/12.

In 2009 Council approved additional funding (\$500,000 in 2009/10, and \$1,038,000 in 2010/11 and 2011/12) to PWT for the Australian marketing campaign/activities. The SOI lists activities that the Trust will undertake in 2011/12 aiming at increasing the recognition and desirability of Wellington as a visitor destination in Australia. The Trust plans to provide a report to Council that reviews the campaign and its benefits.

Officers note that 2011/12 is the last year of the Council's additional funding for the Australian campaign. The Trust highlights that the achievements gained over the last two years could be severely jeopardised should the funding stop after 2011/12. Officers recommend that the final SOI outlines strategies that the Trust will employ to mitigate the risk of no ongoing funding for the Australian campaign.

PWT plans to increase revenue from on-line activities; however, the SOI shows that trading income is static compared to 2010/11 levels. The final SOI should include information about reasons for the static trading income.

The SOI is comprehensive in addressing the risks of the Trust, and ultimately Council; a lot of which appear to have direct consequences for the level of Council funding. In regards to partnership funding, the Trust indicates that the loss of private sector partnerships is a risk. Officers recommend that the final SOI includes a KPI that measures stakeholders' satisfaction levels relating to PWT performance.

Summary Recommendations

The final 2011/12 SOI should:

- Outline strategies for closer collaboration with the Council's CCOs;
- Provide more detailed information of the advantages of the integrated marketing model;
- Provide reviewed targets reflecting a better understanding of the impacts of the Christchurch earthquake on NZ visitor arrivals once available, together with the impact of other events taking place both locally during the year and across global travel trends;
- Include information on the outcomes achieved to date and information on specific objectives for outlined Long Haul activities for 2011/12;
- Outline strategies that the Trust will employ to mitigate the risk of no ongoing funding for the Australian campaign;

- Include a KPI that measures stakeholders' satisfaction levels relating to PWT performance; and
- Include information about reasons for the static trading income.

5.4 Wellington Cable Car Limited

The Wellington Cable Car Limited (WCCL or the Company) draft Statement of Intent outlines at a very high level the contributions of the Company to the Council's objectives.

However, while they are mentioned under the Objectives of the WCCL Board, the final SOI should include more discussion of the following specific issues requested in the Letter of Expectations:

1. Discussion of WCCL's planned activities for RWC 2011 and how these will be integrated with the Council's own activities, including how to minimise maintenance disruptions to the overhead trolley bus network.
2. The Company's strategy for closer co-operation with PWT and other CCOs in marketing, promotion and public relations.
3. Analysis on the recent declines in cable car passenger numbers and the strategy to address this decline, particularly for commuters.
4. Discussion of plans for continued co-ordination with other stakeholders in the Kelburn tourist precinct.
5. Plans for the redevelopment of the Kelburn terminal, as well as an update on the issue of user charges on poles for the overhead trolley bus network and the Technical Review Group work.

As requested, the Company has included a commitment to co-operate with the Council's review of back office functions and has included a KPI on this. Officers are comfortable that the KPIs proposed by the Company are relevant and appropriate in judging its performance in relation to its objectives.

The draft SOI cable car patronage target for 2011/12 has been revised from 1.146m in 2010/11 to 1.109m for 2011/12, a decline of 3%. The decline reflects a substantial decrease in the targeted number of multi-trip (or commuter) tickets.

WCCL has articulated its risk management policy; however, it has not identified the five key risks for its business and how these are managed. As in previous years, it has referenced its 'Risk and Vulnerability' schedule, but not provided any details of the schedule.

As the draft business plan has not yet been provided to Council, officers can not yet comment on the financial plans.

The discussion of the board on page 3 should also include confirmation of the annual board performance review process.

Summary Recommendations

The final 2011/12 SOI should:

- Include discussion of:
 - WCCL's planned activities for RWC 2011 and how these will be integrated with the Council's own activities,
 - The Company's strategy for closer co-operation with PWT and other CCOs in promotional activities,
 - Analysis on the recent declines in cable car passenger numbers and the strategy to address this,
 - Plans for continued co-ordination with other stakeholders in the Kelburn tourist precinct, and
 - Plans for the redevelopment of the Kelburn terminal, as well as an update on the issue of user charges on poles for the overhead trolley bus network and the Technical Review Group work;
- Provide further detail of the Risk and Vulnerability schedule, including identifying the five key risks and how they are managed; and
- Add confirmation of the annual board performance review process.

5.5 Wellington Museums Trust

The Wellington Museums Trust (the Trust) draft Statement of Intent is thorough and well presented. It provides a very good overview of the Trust's plans following the strategic review undertaken in 2010. Carter Observatory will continue to be reported separately until June 2012. Officers had limited time to review the Trust's draft SOI and have included Carter Observatory in the comments below.

As requested, the Trust has provided detail on the events it has planned for RWC 2011, including *score a try* at Capital E, *Hard on the Heels* at Museum of Wellington City & Sea, and *Navigation Nights* at Carter Observatory. *OCEANIA* is a collaborative project between City Gallery and Te Papa as part of the REAL New Zealand Festival to be held in association with RWC 2011. The Trust will also be focusing on training its front-of-house teams to be able to provide excellent customer service and knowledge of the city and other activities on offer.

The draft SOI reiterates the Trust's willingness to cooperate with PWT and other visitor attraction CCOs. The Trust has already collaborated with PWT on the new edition of the Wellington Education Guide, is participating in the Wellington City Pass joint ticketing project, and has committed to participate in the planned Wellington attractions open day. The Trust notes that it supports the Council's back office function review; officers also request that a KPI on this review is added to the final SOI.

As requested in the Letter of Expectation, the Trust has discussed the key outcomes of its strategic review and how it intends to fully fund depreciation. As outlined on page 5 (and pages 12 and 13), the Trust is proposing a number of

changes as a result of its strategic review, including:

- having base funding levels for core services and establishing a contestable fund for additional offerings;
- refocusing Museum of Wellington City & Sea on the permanent exhibition, rather than temporary exhibitions;
- collections development in line with the Collections Policy;
- reconceptualising Capital E as a cultural centre for young people;
- considering admission charges for national and international visitors to City Gallery and Museum of Wellington City & Sea; and
- considering a Wellington Attractions Card to enable Wellington residents to continue to have free access to these institutions.

In the final SOI, officers request the addition of some discussion around the likely timing and cost of feasibility studies (where relevant) on these proposals and whether feasibility work is budgeted for.

The Trust has streamlined its KPIs and officers consider that the revised targets are relevant and appropriate in judging its performance. Total visitor numbers are forecast to be 612,550. This is 10% below the 2010/11 target and 17% below the original 2011/12 target outlined in last year's SOI. The lower visitor number forecast for 2011/12 relative to last year's SOI primarily reflects lower City Gallery, Capital E and Carter Observatory visitor forecasts. While part of the reduction in City Gallery visitors is the anticipation of admission charges for the exhibition *Oceania: Imagining the Pacific* in the first two quarters of 2011/12, the final SOI should include commentary on why these visitor forecasts are materially lower than previously.

The quality of experience KPI target has changed from 95% to 90% of visitors rating their experience as good or very good. Officers are comfortable with this change given it remains a very high hurdle and the Trust is increasingly trying to improve the calibre of visitor feedback it receives (e.g. using the GetSmart tool at Carter Observatory). Similarly, the target level of resident awareness of Trust institutions remains high at between 85% and 90% for the Trust's major institutions.

The Trust has included a visitor origin KPI for the first time. This metric is not so much a hurdle to reach, as a KPI designed to provide the Trust with the demographic information required to develop its strategic planning (see discussion above).

The Trust has also included a KPI measuring income generated per visitor. Officers support this KPI being included, particularly in light of the Trust's potential strategic plans. As a benchmark, the forecast income per visitor in 2010/11 is likely to be around \$13.13 for Carter and \$4.12 for the Trust (although this spend is likely to be higher than normal, reflecting the Capital E festival).

Non-Council revenue and Council subsidy per visitor remain as KPIs, although the Trust has changed the calculation of the non-Council revenue percentage (no longer excluding the rental grant). While officers are comfortable with this methodology change, it makes it a little more difficult to compare the targets to previous years, so below is a summary of these measures:

	2011/12 KPI (last year's SOI)	Current 2011/12 KPI (old system)	Current 2011/12 KPI (new system)	2011/12 budgets imply
Non-Council revenue (Trust)	30%	26%	21%	21% (new)
Non-Council revenue (Carter)	75%	74%	74%	71%
Council subsidy per visitor (Trust)	<\$12.00	\$13.72	\$13.72	\$13.67
Council subsidy per visitor (Carter)	<\$5.00	\$5.74	\$5.74	\$5.74
Spend per visit (Trust)	New measure	\$3.63	\$3.63	\$3.63
Spend per visit (Carter)	New measure	\$14.02	\$14.02	\$14.02

It should be noted that the Trust has included a comprehensive and clear discussion of its risk management process and its risk schedule. As requested, the Trust has also included detailed discussion on the environmental conditions at City Gallery, opportunities for collaboration with Te Papa, and updates on the collection store project and the Plimmer's Ark relocation.

Summary Recommendations

The final 2011/12 SOI should:

- Add a KPI on the back office function review;
- Include some discussion on the likely timing and cost of feasibility studies (where relevant) on the strategic plan proposals; and
- Include commentary on why visitor forecasts for City Gallery, Capital E and Carter Observatory are lower than previously forecast.

5.6 Wellington Venues Limited

Officers had not received Wellington Venues Limited's Statement of Intent by the time of this report going to print.

5.7 Wellington Waterfront Limited

Wellington Waterfront Limited (WWL) has produced a draft Statement of Intent that addresses the issues outlined in the Council's Letter of Expectation sent to the Board Chair in January.

WWL's key responsibilities stem from its being the implementation agency for waterfront development. WWL and Council officers have recently drafted the 2011/12 Waterfront Development Plan (WDP), which the Council has approved for consultation as part of the Draft Annual Plan. The WDP outlines in detail the work projects for the 2011/12 year so little comment is given here.

Following a review of WWL, the Council voted in February to retain the company as a Council Controlled Organisation, but with a reduced status quo. As a result, the 10-year financial forecast was adjusted to accommodate the review's recommendations. This revised forecast shows WWL repaying its loan commitment in 2015/16. An issue highlighted in the review is that revenue projections do not cover the cost of maintaining and managing the Waterfront. This is an ongoing issue and WWL notes in the SOI that it has reduced staff costs by outsourcing financial activities and reduced governance costs in order to go some way towards meeting the short fall.

One of the biggest factors to affect WWL's 10 year cash flows arises from timing differences in Public Space Improvement (PSI) projects. Impacting on this year's schedule is the carry forward from 2010/11 of the Chaffers Marina relocation and the potential need to bring forward payments for the Overseas Passenger Terminal because of strong advanced sales on apartments. The net result is a projected increase in PSI costs of \$1.33 million. However, WWL indicates in its SOI that this figure should not affect the projected loan financing for the period.

WWL was asked to address progress on the Queen's Wharf master plan which they have done. The master plan was completed in March 2011 and initial planning and design work on the Helipro building is set to begin during 2011/12.

In response to the Council's request for a clear outline of planned activities for Rugby World Cup 2011, WWL has presented a detailed statement of its intention to contribute to the general planning and implementation of RWC 2011 objectives for Wellington. This includes working with tenants in Waterfront spaces to ensure the smooth facilitation of RWC 2011 activities and the temporary expansion of the motorhome park.

WWL has addressed the request for closer cooperation with other CCOs noting that they are working collaboratively with Positively Wellington Tourism to promote the waterfront in various ways. WWL has also embraced the Council's move towards implementing a range of shared services across CCOs, noting the intention to have a Service Level Agreement in place around September 2011.

Summary Recommendations

The final 2011/12 SOI should:

- Provide additional detail as to potential additional revenue sources that could be developed over the medium term in order to improve its operating position; and
- Provide more specific detail on the nature of the risks identified in the SOI and their order of priority in WWL's operational planning.

5.8 Wellington Zoo Trust

The draft SOI for Wellington Zoo Trust (WZT or the Trust) is well set out and outlines clearly how the Zoo is aligning itself with the Council's desired outcomes and its strategies to continue to build on its recent strong operating performance. As requested in the Letter of Expectation, the draft SOI includes detailed discussion on issues including the Zoo Capital Plan (ZCP) and the associated fundraising strategy, and the Trust's plans to make the Zoo more financially sustainable.

WZT has outlined a number of RWC 2011 related marketing and visitor engagement plans, including creating the African Savannah enclosure as the South African team's 'home away from home', allocating each team a Zoo animal as a mascot and supporting WCC and PWT in a number of joint marketing efforts (promoting the Hop On Hop Off bus, supporting the WCC proposed open days etc).

In addition to the joint marketing efforts related to RWC 2011 discussed above, the Zoo has reiterated its commitment to co-operation with PWT and other CCOs, where appropriate. For example, the Trust already has MOUs with the WCC Communications team, PWT and ZEALANDIA relating to specific outcomes, is a participant in the Wellington visitor attractions ticket, and notes that it supports the Museums Trust's proposed Wellington resident card initiative.

The Trust notes that it already operates on a shared services model with WCC and is supportive of any broader back office function review. Officers are comfortable with the Trust's suggested KPIs, which are largely consistent with its 2010/11 targets. Visitor numbers are forecast to increase by 2% to 191,570. Officers request the Zoo provide quarterly visitor targets as part of this KPI. The Trust has also added a KPI on back office functions as requested. To complete its reporting picture, officers ask WZT to consider two additional KPIs on meeting the Zoo's 2011/12 budget and meeting capex targets (both financial and timing).

WZT has included its detailed risk management matrix on pages 27 through 30 and a brief discussion of the risk management strategies in place.

In terms of financial support, the Trust has requested a continuation of the \$2.799m operational grant and \$0.242m for its capital renewals budget in

2011/12; these amounts are in line with the Council's Draft Annual Plan. WZT has also flagged that, should Giant Pandas go ahead, it may require feasibility study funding in the order of \$40,000 to \$70,000.

WZT has requested \$3.066m for the Zoo Capital Plan programme in 2011/12. The key ZCP spending in 2011/12 is to be on the completion of The Hub and on the Asia Precinct, including the building of the new sun bear enclosure. Officers note, however, that there is limited discussion in the draft SOI of these projects and what they will add to the current Zoo experience.

As requested in the Letter of Expectation, the Trust's suggested phasing of the remaining term of the ZCP is outlined on page 22 of the draft SOI. This phasing reflects WZT's proposed fundraising strategy of targeting funds for the ZCP as a whole rather than by project (which is currently the case). The Zoo regards this as fundraising best practice and a more adaptable approach across fundraising opportunities, particularly given the current difficult fundraising environment. It is undertaking a feasibility study on this approach and expects the results by May 2011. On current estimates, the Zoo will have raised \$3.34m (or 24.9%) of the ZCP spend to date of \$13.42m by the end of this financial year.

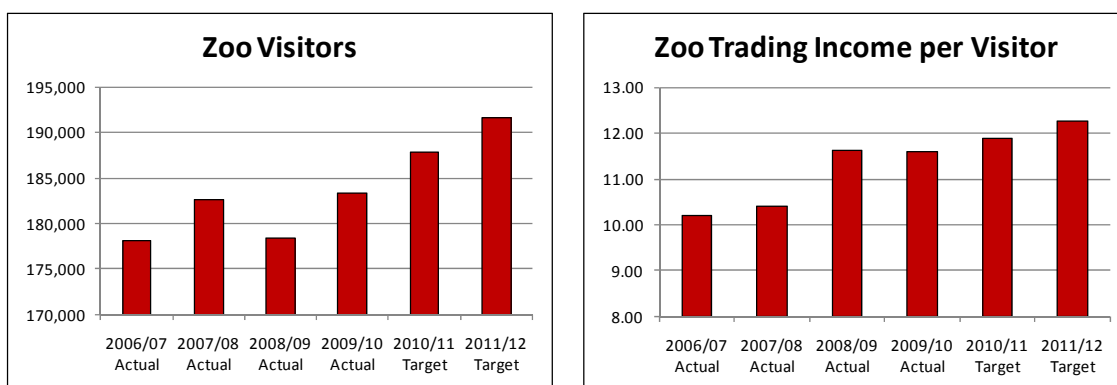
Officers support WZT's change in emphasis in its fundraising strategy and recognise that it should increase the Trust's flexibility in raising its remaining \$1.9m. As a result, officers support some flexibility being applied to WZT's annual fundraising targets in the Council's budget. However, officers do not consider it appropriate for the Council to commit the rest of its ZCP project funding without any assurances on the Trust's fundraising success. Officers and WZT management will continue discussions on this matter; the Trust's 25% fundraising target is included in the Draft Annual Plan for 2011/12. Accordingly, the final SOI should confirm the Trust's fundraising target for 2011/12 at 25% of its proposed ZCP spend.

However, officers are cognisant that there may need to be some flexibility on the timing of the full 25% target for 2011/12 to reflect a transition period for the likely change in fundraising approach. It should be noted that any shortfall in WZT fundraising in 2011/12 will be required to be made up in future years (as has been the established practice), so that the Trust's overall 25% targeted contribution to the ZCP programme will not change. For 2012/13 and beyond, the proposed phasing of the remaining ZCP funding and treatment of the Zoo's fundraising contribution is likely to be discussed as part of the Long Term Plan discussions.

As requested, the Trust has also included detailed discussion on its objective of increasing the financial sustainability of the Zoo and reducing its reliance on the Council in percentage terms by growing its non-Council revenue streams. The Trust plans to achieve this using methods including some price increases in July and leveraging off The Hub's broader catering offering.

The Trust is forecasting that it will generate 49% of its total operational expenditure in 2011/12. This reflects an increase from 43% in 2006/07 and 48% in 2009/10. In dollar terms, the Trust is expecting to raise \$2.72m in

operational funds itself in 2011/12, up from \$1.98m in 2006/07 and \$2.44m in 2009/10.



The higher WZT financial contribution reflects both increased visitor numbers and higher income per visitor over this time. Trading income per visitor has increased from \$10.21 in 2006/07 to \$11.60 in 2009/10 and is forecast to be \$12.27 in 2011/12. However, officers note that with the majority of this historic increase being driven by rising admission fees, it may become more difficult to continue to drive further increases in income per visitor at the same rate going forward.

The financial forecasts included in the draft SOI for 2011/12 appear reasonable, implying a \$100k (4%) increase in trading income, a \$67k (2%) increase in employee costs and a \$53k (3%) increase in other operating expenses for 2011/12 relative to the revised 2010/11 forecasts. Officers note that the earnings statement has been made more helpful with sponsorships split between operating and capital and the addition of the operating surplus/(deficit) line.

Summary Recommendations

The final 2011/12 SOI should:

- Include quarterly visitor targets;
- Consider two additional KPIs:
 - meeting the Zoo's 2011/12 budget, and
 - meeting capex targets (both financial and timing)
- Add discussion on the major planned capex projects and what they will add to the current Zoo experience; and
- Confirm the Trust's fundraising target for 2011/12.

5.9 Wellington Regional Stadium Trust

The draft SOI for Wellington Regional Stadium Trust (WRST or the Trust) is thorough and well set out; it includes high level commentary of how it plans to further the Council's objectives and discussion of the operational issues it is facing. The draft SOI includes detailed discussion on issues including Rugby World Cup 2011 and initiatives in various sporting codes. It also notes the likely competition in the stadia market post 2011 and the fact that there may be a need to take on some event risk in a competitive market.

The Trust is intimately involved with planning for RWC 2011, as outlined on pages 4 and 5, and has no major capital work to undertake prior to the tournament. Officers request an update on any work still planned before RWC 2011, even if it is not part of a major capital project. This also fits with the request in the Letter of Expectation to include an analysis of planned capital expenditure with an appropriate level of detail and risk assessment in the business plan.

The Trust has reaffirmed its commitment to working co-operatively with the Councils, PWT, and other CCOs (where appropriate), particularly Wellington Venues Ltd and Basin Reserve Trust where it provides turf management services. As requested, WRST proposes a focused set of KPIs and has provided a clear outline of its risk management process and key risks.

As requested in the Letter of Expectation, the Trust has outlined the progress of the long term Stadium Master Plan. While this is clearly in its early stages, officers ask that WRST also include a rough timeline on the likely stages of the development of this Plan.

Finally, officers ask the board of the Trust to consider a more regular board evaluation process, not just a Chair interview with each board member at the expiry of their term. Alternatively, officers request the addition of a comment confirming that, if necessary, the Chair of the Trust will bring any board performance-related matters to the attention of the Chair of CCOPS.

As the draft business plan has not yet been provided to Council, officers can not yet comment on the financial plans.

Summary Recommendations

The final 2011/12 SOI should:

- Outline any work still planned before RWC 2011, even if it is not part of a major capital project;
- Include a rough timeline on the likely stages of the development of the Stadium Master Plan; and
- Consider a more regular board evaluation process.

5.10 Karori Sanctuary Trust

In the light of recent discussion, the board are currently reviewing the business case for the Karori Sanctuary Trust and are not yet in a position to submit a draft Statement of Intent for 2011/12. The document will be forthcoming.

6. Conclusion

Officers have assessed each entity's draft Statement of Intent for 2011/12. The quality and focus of the SOIs continues to improve, and officers will work with CCOs to ensure that this remains the case.

A number of changes are recommended to the Subcommittee. Subject to its approval of these changes being requested, the Subcommittee's views will be communicated to CCOs in time for amended (final) SOIs to be presented to this Subcommittee at its next meeting on 13 June 2011.

Contact Officers: *Richard Hardie, Portfolio Manager, Council Controlled Organisations, Maree Henwood, Portfolio Manager, Council Controlled Organisations and Natasha Petkovic-Jeremic, Portfolio Manager, Council Controlled Organisations*

Supporting Information

1) Strategic Fit / Strategic Outcome

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

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

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

3) Treaty of Waitangi considerations

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

4) Decision-Making

This is not a significant decision.

5) Consultation

a) General Consultation

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

b) Consultation with Maori

See section 3, above.

6) Legal Implications

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

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

7) Consistency with existing policy

This report is consistent with existing WCC policy.