
REPORT 1
(1215/52/02IM)

REVIEW OF THE 2010/11 ANNUAL REPORTS AND AUDITED FINANCIAL STATEMENTS OF COUNCIL CONTROLLED ORGANISATIONS

1. Purpose of Report

This report provides the Subcommittee with a review of the annual reports submitted by Council Controlled Organisations (CCOs) for Council approval in compliance with the requirements of the Local Government Act 2002. Separate reports analysing each entity's performance are attached as appendices to this report.

2. Recommendations

It is recommended that the Subcommittee:

1. *Receive the information.*
2. *Recommend that the Strategy and Policy Committee notes the following matters with regard to the 2010/11 performance of Council Controlled Organisations:*
 - (a) *The Basin Reserve Trust had a good year in 2010/11 in terms of number of cricket and other sports events and event days; however, revenue was well below target. The Trust will continue to monitor and implement security strategies to ensure that the Basin Reserve remains safe and accessible to patrons and the public. Issues remain concerning how the remaining deferred maintenance work will be prioritised and funded.*
 - (b) *Capacity delivered most scheduled work for the year, although it was under-budget on Wellington City Council's capital programme. The Company met the majority of its performance targets and continued to make significant progress on unaccounted-for water. Estimated unaccounted-for water in Wellington is now 14% of water supplied, down from 21% three years ago.*

- (c) *Positively Wellington Tourism has achieved growth in a number of areas within a challenging economic climate. With Christchurch affected by successive earthquakes and traditional long-haul markets struggling, the launch of the large-scale promotional campaign for the Wellington region in Australia was important. Wellington maintained its 24% international market share and opportunities will continue to be explored in the Asian markets.*
- (d) *Although there was a strong “business as usual” focus to the year, a lot of work was put in to preparations for winding up the St James Theatre Charitable Trust and for operations to transfer to the new Wellington Venues Ltd Council Controlled Organisation.*
- (e) *At the time of this report going to print, officers had not received Wellington Cable Car Ltd's 2010/11 annual report.*
- (f) *The Wellington Museums Trust had a successful year, reporting a less than budgeted deficit. It delivered a strong range of exhibitions and events to an audience of 653,344 visitors, with more than 70,000 students attending the Trust's education programmes. Visitor numbers were higher than last year, but lower than target.*
- (g) *Wellington Venues Ltd began trading on 1 February 2011 managing the operations of the former Wellington Convention Centre and the Company worked to get the systems and processes in place for the transition of the St James Charitable Trust operations into the entity on 1 July.*
- (h) *Key Wellington Waterfront Ltd projects in 2010/11 included the development of the Wharewaka and Taranaki Street Wharf public space, the Kumutoto toilets and maintenance on the Chaffers Marina. Also, significant planning work was undertaken to develop the Fanzone and related activities on the waterfront as part of Rugby World Cup 2011.*
- (i) *Wellington Zoo Trust had a very successful year in 2010/11. It increased visitors by 7% over last year to 196,267; this represents the highest level of visitors recorded for the Zoo for at least the last 45 years and was well ahead of its visitor target of 187,810.*
- (j) *Highlights for the year for Wellington Regional Stadium Trust included that the contract for the IRB International Sevens tournament was secured for Wellington until 2016, the problems with the exterior cladding and the roof at the Stadium were largely resolved, and work scheduled as part of the Rugby World Cup preparations was completed on or ahead of time.*

(k) *While ZEALANDIA has sufficient funding to maintain operations through 2011/12 and into 2012/13 its future viability depends on the success of the strategic actions undertaken and planned by the Trust to improve visitor numbers. The Trust has signalled that it will be seeking operational funding support from a range of sources, including the Council for consideration as part of the 2012/22 Long Term Plan.*

3. *Note any other issues for the Chair to raise with the Strategy and Policy Committee in regard to this report.*

4. *Note any issues for the Chair to raise with the entities covered by this report.*

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. The audited annual reports received from CCOs have been reviewed by officers to assess any risks or issues from the perspective of Council's shareholder interest. Any significant issues that were identified have been discussed with the relevant entity and are included in the covering reports that are attached as appendices.

4. Entities covered by this report

4.1 Council Controlled Organisations

To comply with statutory requirements, officers report to the Subcommittee on the performance of Council Controlled Organisations.

These are:

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

* St James Theatre Charitable Trust is now merged into Wellington Venues Ltd and is in the process of being wound up.

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 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 (COs) also be monitored on a quarterly basis. Accordingly, the following entities are also included within this report on 2010/11:

Karori Sanctuary Trust
Wellington International Airport Ltd (public excluded)

5. Compliance with Local Government Act 2002

In accordance with the Local Government Act 2002 (LGA 2002) section 67, CCOs must within three months of the end of each financial year submit a report on the organisation's operations during that year. The LGA 2002 also states:

- Section 68 – the report must contain information that is necessary to enable an informed assessment of the operations of that organisation and its subsidiaries, including:
 - a comparison of the performance of the organisation and its subsidiaries with the Statement of Intent; and
 - an explanation of any material variances between that performance and the Statement of Intent
- Section 69 – the report must include audited consolidated financial statements for that financial year for that organisation and its subsidiaries, and an auditor's report on:
 - those financial statements; and
 - the performance targets and other measures by which performance was judged in relation to that organisation's objectives

The majority of the CCOs and other entities covered within this report have submitted documents in accordance with the legislative requirements.

At the time of going to print, officers had not received Wellington Cable Car Limited's annual report. Basin Reserve Trust, Wellington Waterfront Ltd and Wellington Regional Stadium Trust have provided full audited financial statements but without an explanatory report. Wellington Regional Stadium Trust's full annual report with commentary will be available online on 13 October.

The other CCOs provided audited annual reports, none of which were qualified.

6. Annual Plan Reference

Operating Expenditure

\$'000	Annual Plan Project	Operating Grant Total	Actual Total	Annual Plan Total
Karori Sanctuary Trust	A288	700	1,324	1,416
Wellington Waterfront Ltd	A312	1,200	1,213	1,200
- Wellington Waterfront Ltd Project ¹	C378	-	589	840
Basin Reserve Trust	C008	180	581	581
Wellington Zoo Trust ²	C046	2,799	3,698	3,565
Wellington Museums Trust ³	C102	5,962	7,769	7,942
- Carter Observatory ⁴	C659	300	776	361
Positively Wellington Tourism	C105	4,740	4,740	4,778
- Long haul aircraft attraction	C658	200	200	200
- Australia marketing		1,000	1,000	1,000
Wellington Venues Ltd ⁵	C686	-	38	-
St James Theatre Charitable Trust	C580	372	372	372

¹ C378 underspend relates to lower than budgeted interest allocation

² C046 overspend relates to higher than budgeted depreciation

³ Operating grant is excluding rental grant. C102 underspend is due to lower than budgeted rental grants and interest allocation, partially offset by higher than budgeted depreciation

⁴ C659 overspend is due to higher than budgeted depreciation and interest allocation on the vested assets

⁵ C686 net spend relates to the net impact on Council accounts of transition to Wellington Venues Ltd

The Wellington Regional Stadium Trust, Wellington Cable Car Limited and Wellington International Airport Limited do not directly receive Annual Plan funding. Capacity Infrastructure Services Limited is funded through the Infrastructure budget.

Capital Expenditure

CAPEX PROJECTS

\$'000	Annual Plan Project	Actual Total	Annual Plan Total \$,000
Wellington Zoo Trust Renewals ¹	CX125	205	186
Wellington Zoo Trust Upgrades ²	CX340	2,633	1,961
- Wellington Zoo Trust Upgrades CF	CX340_CF10	16	16
Wellington Waterfront Development ³	CX131	-	2,589
- Wellington Waterfront Dev. CF	CX131_CF10	2,200	2,911
Basin Reserve	CX503	38	112

¹ CX125 overspend relates to an adjustment to correct an administrative coding error last year

² CX340 net overspend is \$69k as capital income vested to Council was \$603k higher than budget. The net overspend related to some changes in the timing of projects

³ CX131 and CX131_CF10 underspend relates to delayed projects and \$1.3m has been carried forward.

The above figures do not include unspent capex during 2010/11 that has been approved for carry-forward to 2011/12.

It should also be noted that all CCOs have adopted NZ International Financial Reporting Standards (NZ IFRS). Karori Sanctuary Trust (a CO) is exempt from this requirement.

7. Issues for the Subcommittee to consider

Council Controlled Organisations:

7.1 Basin Reserve Trust

After absorbing depreciation of \$262k, the Basin Reserve Trust recorded a deficit of (\$294k) for 2010/11 against a budgeted deficit of (\$122k). This unfavourable result was due primarily to revenue from operations being 35% under budget because of lower returns on ground hire, signage income and hireage of the replay screen. The overall cash position for the Trust is tight, reflecting increased pressure on covering operating costs. The Trust is working to off-set costs by increasing revenue from ground hire to diverse groups, although this is restricted through the Basin Reserve's status as an international test venue.

The Trust had a good year in 2010/11 in terms of number of cricket and other sports events and event days; however, revenue was well below target. The new off-field practice facilities have proved a major benefit to the Trust and have helped to ensure that the Basin Reserve retains its Test Match cricket ground status. Initial discussions on the impact and mitigation of the proposed flyover around the Basin Reserve have begun and will be furthered in 2011/12. The Trust will continue to monitor and implement security strategies to ensure that the Basin remains safe and accessible to patrons and the public. Issues remain concerning how the remaining deferred maintenance work will be prioritised

and funded. The Basin Reserve continues to contribute to the Council's strategic outcomes in the area of Social and Recreation.

7.2 Capacity Infrastructure Services Limited

In general, Capacity Infrastructure Services performed well in 2010/11. The Company recorded a net deficit of \$(37k) for the year, compared to a budgeted breakeven position. Capacity delivered most scheduled work for the year, although it was under-budget on Wellington City Council's capital programme. The Company was over-budget on Wellington City Council's opex programme. While the reasons for this variance had been well flagged during the year, it remains an area to monitor going forward. The Company met the majority of its performance targets and continued to make significant progress on unaccounted-for water. Estimated unaccounted-for water in Wellington is now 14% of water supplied, down from 21% three years ago.

The Company renewed the wastewater and stormwater network beneath Wakefield Park in conjunction with WCC's artificial turf program (from inception to completion in 12 weeks). Among other projects, Capacity also worked on the new stormwater pumping station in Tacy Street, Kilbirnie.

7.3 Positively Wellington Tourism (Partnership Wellington Trust)

Positively Wellington Tourism has achieved growth in a number of areas within a challenging economic climate. With Christchurch affected by successive earthquakes and traditional long-haul markets struggling, the launch of the large-scale promotional campaign for the Wellington region in Australia was important. Wellington maintained its 24% international market share and opportunities will continue to be explored in the Asian markets. The Trust recorded an operating surplus of \$8k for the year.

Lonely Planet recognised Wellington as the 'coolest little capital in the world' in Best in Travel 2011's Top 10 Cities to Visit list. WellingtonNZ.com achieved its target of 20% growth with over 1.6 million visits over the year – 28% ahead of its nearest regional competitor and the Trust redeveloped and launched the new i-Site Visitor Centre. In 2010/11 Wellington welcomed 59 cruise ship visits, up from 47 the previous year, carrying an estimated 91,000 passengers over the season.

7.4 St James Theatre Charitable Trust

Although there was a strong "business as usual" focus to the year, a lot of work was put in to preparations for winding up the St James Theatre Charitable Trust and for operations to transfer to the new Wellington Venues Ltd CCO. The strategic focus of the Trust this year was on seeking to sustain the business through exploring new revenue streams, diversifying theatre-show genre and hirers, and increasing audience numbers. The Trust was able to achieve a trading profit before depreciation, despite a challenging economic climate and the preparations for the merger with the Convention Centre, and exceeded its KPIs with a higher number of performance and utilisation days than anticipated.

The merger between the St James Theatre Charitable Trust and Wellington City Council's 'Convention Centre' took place on 1 July 2011 with the trading activities of Trust undertaken within the new Wellington Venues CCO from that date. Once residual transactions and other details have been finalised, the Trust will be wound up and the assets and liabilities transferred to Wellington City Council.

7.5 Wellington Cable Car Limited

At the time of this report going to print, officers had not received Wellington Cable Car Ltd's 2010/11 annual report. Once it is received, it will be forwarded to Subcommittee members under separate cover.

7.6 Wellington Museums Trust

The Wellington Museums Trust had a successful year, reporting an overall deficit of (\$266k) compared to a budgeted deficit of (\$613k). It delivered a strong range of exhibitions and events to an audience of 653,344 visitors, with more than 70,000 students attending the Trust's education programmes. Visitor numbers were higher than last year, but lower than target. The integration and first full year of operation of Carter Observatory and a successful year for other visitor attractions has strengthened the Trust's position as a major contributor to Wellington as the arts and cultural capital. After undertaking a review of its priorities, the Trust is on track to achieve a breakeven position and fully fund depreciation as agreed with Council going forward.

7.7 Wellington Venues Ltd

Wellington Venues Ltd began trading on 1 February 2011 managing the operations of the former Wellington Convention Centre. Glenys Coughlan was appointed as the CEO of the new CCO and worked steadily alongside the interim board of directors and Council officers to get the systems and processes in place for the transition of the St James Charitable Trust operations into the entity on 1 July.

The draft accounts covering the 5 months from 1 February to 30 June 2011 show the company to be in a breakeven position.

7.8 Wellington Waterfront Ltd

In February 2010, the results of a comprehensive review of the implementation agency for the waterfront were presented to the Council. As a result, it was agreed that a reduced status quo option for Wellington Waterfront Ltd (WWL) was the best option and this has been implemented. The Wellington Waterfront Ltd made an operating deficit of \$3.1m compared to a budget deficit of (\$4.4m), with capital expenditure at \$3.6m for the year against a budget of \$4.4m. Key projects in 2010/11 included the development of the Wharewaka and Taranaki Street Wharf public space, the Kumutoto toilets and maintenance on the Chaffers Marina. Also, significant planning work was undertaken to develop the Fanzone and related activities on the waterfront as part of Rugby World Cup 2011.

There will be pressure on WWL's loan financing in 2011/12 and the company will have to manage these projects carefully within existing funding from the Council while generating commercial proceeds.

7.9 Wellington Zoo Trust

Wellington Zoo Trust had a very successful year in 2010/11. It increased visitors by 7% over last year to 196,267; this represents the highest level of visitors recorded for the Zoo for at least the last 45 years and was well ahead of its visitor target of 187,810. The Trust recorded an operating surplus of \$30k and had its accreditation review from the Zoo and Aquarium Association, which went very well with many positive comments. It has now received its five year accreditation. It also won a number of awards during the year.

A number of Zoo Capital Plan projects opened in 2010/11: The Roost Te Pae Manu, the Mini Monkeys, Porcupines and Meerkats, the lions den refurbishment and stage one of The Hub. The additional Mojo café (the Tuck Shop) at the Hub opened in February 2011. While the Trust overspent on its CX340 Zoo Capital Plan upgrade budget for the year, it is now tracking above its 25% fundraising contribution for the Zoo Capital Plan spend to date.

Other Organisations:

7.10 Wellington Regional Stadium Trust

The Wellington Regional Stadium Trust recorded a very good result in 2010/11, albeit on a lower total attendance than recent years. For 2010/11 the Trust recorded an annual surplus of \$3.5m. This result was \$2.2m higher than budget and only 4% below the 2009/10 result. Highlights for the year included that the contract for the IRB International Sevens tournament was secured for Wellington until 2016, the problems with the exterior cladding and the roof at the Stadium were largely resolved, and work scheduled as part of the Rugby World Cup preparations was completed on or ahead of time.

7.11 ZEALANDIA (Karori Sanctuary Trust)

ZEALANDIA has faced a number of challenges through 2010/11, with visitor numbers down significantly on forecast and questions raised as to whether the organisation is going to be as financially sustainable as originally planned. The Trust recorded an operating surplus before depreciation of \$1k compared to a budgeted surplus of \$223k - this includes the Council's grant of \$700k.

While ZEALANDIA has sufficient funding to maintain operations through 2011/12 and into 2012/13 its future viability depends on the success of the strategic actions undertaken and planned by the Trust to improve visitor numbers. The Trust has signalled that it will be seeking operational funding support from a range of sources, including the Council for consideration as part of the 2012/22 Long Term Plan. ZEALANDIA has contributed strongly to the delivery of Council's key strategy areas. The Trust conservation, research and education programmes performed well and community involvement remained high.

7.12 Wellington International Airport Limited (Public Excluded)

The quarterly report for the quarter ended 30 June 2011 is attached in the appendix. Council officers have reviewed the report and prepared a summary report. It does not raise any material new issues for the Subcommittee to consider.

8. Conclusion

The review of the Annual Reports provides an opportunity for the CCO Performance Subcommittee to identify any particular issues that need to be explored with the entities, or raised with the Strategy and Policy Committee. The Subcommittee can also raise any relevant issues at the next meeting of the Strategy and Policy Committee.

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. 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 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.