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REPORT 4  
(1215/52/02IM)

## **2012/13 LETTERS OF EXPECTATION TO COUNCIL CONTROLLED ORGANISATIONS**

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### **1. Purpose of Report**

To seek the Subcommittee's consideration and input into the key messages for the 2012/13 Letters of Expectation to Council Controlled Organisations (CCOs).

### **2. Recommendations**

It is recommended that the Subcommittee:

- 1. Receives the information.*
- 2. Confirm the key messages to be included in the 2012/13 Letters of Expectation to Council Controlled Organisations.*
- 3. Note that officers will prepare formal 2012/13 Letters of Expectation incorporating the directions of the Subcommittee for signing by the Chair of this Subcommittee.*
- 4. Note that the Subcommittee can expect to receive draft 2012/13 Statements of Intent, alongside officers' analyses, for its consideration at its meetings in March and April 2012.*

### **3. Background**

All Council Controlled Organisations are required by the Local Government Act 2002 to prepare a draft Statement of Intent (SOI) for the Council by 1 March of the preceding financial year. However, because this SOI will form part of the Council Long Term Plan (LTP) and will be strategically guided by the new Council Strategy *Wellington 2040*, the Council requires all CCOs to submit their draft SOIs by 16 February 2012. To provide an owner's perspective and input into this strategic document, the Council sets out its expectations in a Letter of Expectation (LoE). This 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).

The draft timetable for approval of 2012/13 Statements of Intent is outlined in the table below:

<b>Item</b>	<b>Date</b>	<b>Comment</b>
CCOPS input into 2012/13 LoEs	05 December 2011	Officers receive CCOPS feedback and incorporate it into final letters
LoE sent to CCOs	By 23 December 2011	Letters to be signed by Chair of CCOPS
Draft SOIs received by officers	16 February 2012	Note this is ahead of the statutory deadline
Draft SOIs presented to CCOPS	12 March 2012 and 23 April 2012	Officers analyse SOIs and provide advice to CCOPS
Feedback on draft SOIs provided to CCOs	Before 30 April 2012	Letters to be signed by Chair of CCOPS
Final SOIs received by officers	16 May 2012	
Final SOIs presented to CCOPS	June 2012	If CCOPS approves the final SOIs, it will recommend that SPC adopts them
Final SOIs provided to Strategy & Policy Committee (SPC) for approval	Before 30 June 2012	SPC is the Committee responsible for formal approval of SOIs

## **4. Discussion**

The 2012/13 Letters of Expectation will be split into three parts:

- An introductory section stressing the importance of the SOIs, the need for quality and noting general issues and high-level Council outcomes largely affecting all the CCOs
- A short, focussed cover letter outlining the key issues for each CCO from an ownership perspective
- A more detailed appendix outlining what needs to be covered by the particular CCOs in their draft SOIs.

### **4.1 General Issues**

A number of issues to be addressed in the Letters of Expectation relate to most or all of the CCOs and these points will be made in the covering letter, as follows:

- In 2011, the Council signed off on its vision for the future of Wellington through *Wellington Towards 2040: Smart Capital*. All Council business

units are expected to align their strategic planning to *Wellington Towards 2040*, particularly the community outcomes: ‘People-Centred City’, ‘Eco-City’, ‘Connected City’ and ‘Dynamic Central City’. In relation to this, each CCO will be asked to review individual Council strategies and targets relevant to their entity and clearly describe how their strategic priorities and planning align with the community outcomes outlined in *Wellington Towards 2040: Smart Capital*. They should also refer to the Council’s supporting strategies in their short, medium and long-term planning. In particular, how do their key activities contribute to these community outcomes and are there activities which are undertaken that do not contribute to these outcomes? Where there are non-contributing activities, a clear understanding of why these activities are undertaken, the cost of providing these services and any implications from ceasing these activities needs to be articulated.

- Reflecting the continuing difficult economic environment for ratepayers and the financial pressures on Council, which include dealing with the impact of leaky buildings and earthquake strengthening, CCOs will be required to consider how their services and activities can be delivered within the current funding arrangements and to clearly identify options to reduce the level of funding reliance on Council. This may include shared service opportunities, increasing non-Council revenue streams, partnering with other organisations to deliver services/activities and other options to deliver sustainably more for less.
- Continuing the focus of Council Controlled Organisations Performance Subcommittee (CCOPS) on risk management, the LoE will ask all CCOs to describe:
  - how they manage health and safety responsibilities within their organisation, and identify any associated liability for the Council;
  - an overview of their insurance programme outlining coverage and deductibles and explanations of any material changes from prior years; and
  - their business continuity plan status.

#### **4.2 Specific Issues**

As noted above, officers have compiled a list of key issues for each CCO to address in its SOI. If the Subcommittee agrees, then these points will be incorporated into the Letter of Expectation.

<b>CCO</b>	<b>Key issue</b>
Basin Reserve Trust	<ul style="list-style-type: none"> <li>• Outline the deferred maintenance and renewal priorities, timing of the work programmes required and detailed cost profile.</li> <li>• Outline of the process and timeline for the renegotiation of the Turf Management contract with the Wellington Regional Stadium Trust.</li> </ul>

	<ul style="list-style-type: none"> <li>• Outline plans to improve the utilisation of the Basin, particularly in collaboration with Council's Events team</li> </ul>
Capacity Infrastructure Limited	<ul style="list-style-type: none"> <li>• Outline the tangible results the Company expects to achieve in continuing work on the regional delivery of water and drainage services, including deadlines. Examples should include: <ul style="list-style-type: none"> <li>○ The finalisation and presentation of a business proposal to PCC; and</li> <li>○ An analysis presented to WCC and HCC of the implications to them if new shareholders are added.</li> </ul> </li> <li>• Outline in detail the planned delivery outcomes and deadlines for the water conservation and emergency response strategies (including emergency water availability), now that initial plans have been developed.</li> <li>• Investigate and validate work on WCC's renewals curves, as this is a key part of the Council's resilience planning.</li> <li>• Please note that WCC will be reviewing its water and drainage KPIs as part of the Long Term Plan process. The SOI KPIs will be reviewed as part of this broader work programme.</li> </ul>
Positively Wellington Tourism	<ul style="list-style-type: none"> <li>• Lead the development of a plan, to be developed in conjunction with Parks and Gardens, the Museums Trust and Wellington Cable Car, to better leverage marketing between the attractions in the Kelburn precinct.</li> <li>• Significant focus on promotion and support to the Council's CCOs.</li> <li>• Outline strategies to maintain the level of Australian visitors to Wellington following the completion of the Council funding initiative in 2011/12.</li> </ul>
Positively Wellington Venues	<ul style="list-style-type: none"> <li>• Outline in detail the economic and operational impact of planned earthquake strengthening work on the Town Hall and Opera House, and strategies for mitigating the disruption to business.</li> <li>• Council has an expectation that Venues will have completed its establishment phase during the 2011/12 financial year and will transition to break even in the next financial year and deliver appropriate operating surpluses thereafter.</li> </ul>

	<ul style="list-style-type: none"> <li>• Detail strategies and relevant KPIs for advancing community engagement and venue access.</li> <li>• Agree on measures that capture performance data and refine KPIs to be presented in the SOI accordingly.</li> </ul>
Wellington Cable Car Limited	<ul style="list-style-type: none"> <li>• Outline in detail how the Company intends to continue improving the attractiveness of the cable car offering to passengers, including tourists, and how the cable car experience can be better integrated with the full range of tourist and visitor experiences at the top of the Cable Car.</li> <li>• Participate in the development of a plan, to be led by PWT and developed in conjunction with Parks and Gardens and the Museums Trust, to better leverage marketing between the attractions in the Kelburn precinct.</li> <li>• Update on the redevelopment of the Kelburn terminal, including budgets, delivery milestones and risk management to ensure minimal service disruption.</li> <li>• Update on the status of the work on user charges on poles for the overhead trolley bus network and the technical review group and how these issues can be progressed to satisfactory conclusions.</li> </ul>
Wellington Museums Trust	<ul style="list-style-type: none"> <li>• Noting that the Carter Observatory management agreement is due to expire on 30 June 2012, the Trust is asked to report to Council on the option to extend the term of the agreement or make this arrangement more permanent.</li> <li>• Address strategies and actions for turning around lower-than-budgeted visitor numbers at City Gallery, including opportunities for partnerships and collaboration.</li> <li>• Outline the plans and commercial potential of either a refurbished Capital E building or a new home for Capital E.</li> <li>• Participate in the development of a plan, to be led by PWT and developed in conjunction with Parks and Gardens and Wellington Cable Car, to better leverage marketing between the attractions in the Kelburn precinct.</li> </ul>
Wellington Waterfront Limited	<ul style="list-style-type: none"> <li>• Within the Waterfront framework, consider and present options to maximise or increase commercial revenues on the Waterfront over the next 10 years, including the range of development options.</li> </ul>

	<ul style="list-style-type: none"> <li>• Present an impact assessment and forward work programme for the wharf pile maintenance and upgrade project that shows the impact of this work on the loan financing profile.</li> </ul>
Wellington Zoo Trust	<ul style="list-style-type: none"> <li>• Update on the remaining term of the Zoo Capital Plan and the associated fundraising strategy.</li> <li>• Discussion of the status of upgrade work post the completion of the current ZCP.</li> <li>• Trust plans to improve the financial sustainability of the Zoo and continue to decrease the reliance on Council funding.</li> </ul>
Westpac Stadium Trust	<ul style="list-style-type: none"> <li>• Update on the development of the Master Plan.</li> </ul>
Karori Sanctuary Trust	<ul style="list-style-type: none"> <li>• Detailed three year financial projections, including detailed analysis of visitor numbers and revenue targets.</li> <li>• Outline strategies and actions to address any projected funding shortfalls.</li> <li>• Carry out a review to identify the efficiency opportunities from working closely with other visitor attractions, Council (Parks and Gardens) and CCOs.</li> </ul>

## 5. Next Steps

Officers will incorporate the feedback from the Subcommittee on the draft key issues into the compilation of formal Letters of Expectation. These will be signed by the Chair of CCOPS before 23 December 2011.

Officers will ask CCOs to submit draft 2012/13 Statements of Intent by 16 February 2012. These will be presented, along with officers' analysis and comments, to the Council Controlled Organisation Performance Subcommittee at its meetings in March and April. Comments on the draft SOIs from that meeting will be provided to CCOs, with a view to final SOIs being presented for approval to the CCOPS and SPC Committees in June 2012.

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**

*Officers have liaised internally with relevant Directors in the formation of this report.*

#### **b) Consultation with Maori**

*See section 3, above.*

### **6) Legal Implications**

*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.*