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## **REVIEW OF THE 2011/12 ANNUAL REPORTS AND AUDITED FINANCIAL STATEMENTS OF COUNCIL CONTROLLED ORGANISATIONS**

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### **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 2011/12 performance of Council Controlled Organisations:*

- a) *The Basin Reserve Trust*

*2011/12 returned good results for the Basin Reserve Trust with revenue projections exceeded and event numbers on target. The cricket highlight was the NZ v South Africa in March. The Trust is working closely with the Council to complete deferred maintenance work and establish a regular maintenance programme, with a major project currently underway to assess the earthquake resilience of the Museum Stand and to determine its future.*

- b) *Capacity*

*Capacity had a steady trading year and contained costs, particularly personnel, which is a significant operating expense for the company. All of the major performance targets were met. The company has undertaken a comprehensive review of its ownership and governance structure with respect to the regionalisation of services and, as at 30 June 2012, Wellington, Hutt and Upper Hutt*

*city councils had voted to approve adding Upper Hutt and Porirua city councils as shareholders in Capacity.*

*c) Positively Wellington Tourism*

*Positively Wellington Tourism continues to achieve growth in a number of areas within a challenging economic climate, and Wellington continues to outperform other New Zealand cities as a national and international tourist destination. The financial result for the year was an operating surplus of \$3k compared to a budgeted deficit of \$38k. In terms of their performance indicators, the company had a strong year meeting all but one of their targets. Work has continued on developing the Australia markets and the Wellington i-Site Visitors Centre continues to perform strongly with sales \$530k better than budget.*

*d) Wellington Cable Car Ltd*

*The company has returned another sound trading performance in 2012 with a net operating surplus of \$632k and achieved all of its service and performance targets. The key strategic issue facing the company in coming years is its funding arrangement with Wellington Regional Council for its management of the trolley bus overhead network (which is due to terminate 30 June 2017).*

*e) The Wellington Museums Trust*

*The Trust had a successful year, reporting an overall surplus (excluding Carter) of \$7k compared to a budgeted deficit of \$95k. The Trust delivered a range of exhibitions and events to an audience of 607,613 visitors, with visitor satisfaction levels increasing to an average of 94.5%. However, its ability to absorb cost increases without affecting the programme is proving increasingly difficult to achieve.*

*f) Wellington Venues Ltd*

*Positively Wellington Venues has made steady progress throughout 2011/12 in developing its operating platform for the future. At the same time, the company has also faced some significant challenges, especially around developing the business case for a temporary venue to replace the Town Hall during seismic strengthening work. However, this year has provided PWV with baseline performance data against which relevant performance measures can be set and future progress assessed. While Venues did not meet its revenue or event projections for the year, operating expenditure was in line with budget. The company reported establishment and extra-ordinary costs of \$811k.*

*g) Wellington Waterfront Ltd.*

*WWL achieved several milestones this year with the highest visitor numbers recorded on the waterfront during October 2011, and the start of construction towards the redevelopment of the Overseas Passenger Terminal. However, the company also faced several challenges, especially with commercial proceeds on Shed 5 not being realised and work on Site 10 deferred following the Environment Court decision on District Plan variation 11. The Project made an operating deficit of \$2.04m compared to a budget deficit of \$3.4m.*

*h) Wellington Zoo Trust*

*The Wellington Zoo Trust has backed-up a very successful financial year ended 30 June 2011 with another year of record visitor numbers and admissions revenue. The Zoo achieved several milestones, including welcoming 216,457 through the doors and exceeding 200,000 visitors for the first time, and recording over 1,500 animal contact hours. The Trust's total revenue was stable with increased admissions revenues offsetting a fall in non-Council grants and donations. Overall, Wellington Zoo continues to focus on its core operations and is achieving very credible results, and generally achieving or exceeding its KPIs.*

*i) Wellington Regional Stadium Trust*

*The Trust recorded another very good result in 2011/12. Overall, the Trust achieved a net surplus of \$3.91 million, 13% ahead of the previous year, and met its performance targets, including hosting 55 events and having a total attendance of 250,350 at Rugby World Cup 2011 games in Wellington. During the year the Trust completed the design concepts, specific projects, timelines and detailed budgets for the Stadium Master Plan.*

*j) Zealandia*

*Through 2011/12, there have been encouraging improvements in the Trust's core (non- grant funded) activities. The financial deficit for the year of \$1.4m was significantly better than the plan of \$2.03m, and excluding Council grants was an improved result compared to 2010/11. In terms of the Trust's performance indicators, Zealandia did not reach its visitor number projections, although visitor experience ratings continue to exceed expectations. In April/May 2012, a public consultation was held on the "Eco City" proposal to help understand the appetite for providing the necessary support to Zealandia to underpin its immediate viability. The results of this work were reported back to Council in June 2012.*

**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  
Wellington Cable Car Ltd  
Wellington Museums Trust  
Positively Wellington Venues Ltd  
Wellington Waterfront Ltd  
Wellington Zoo Trust

#### ***New Zealand Local Government Funding Agency Limited (LGFA)***

Council is an 8.9% shareholder in the LGFA, along with the Crown and 17 other local authorities.

The LGFA provided its first annual report in late September. The financial statements and annual report cover the company's first 7 months trading from 1 December 2011 (incorporation date) to 30 June 2012.

Officers have not had time yet to undertake a thorough review of the annual report and financial statements. However, a preliminary review concludes that the LGFA has met its shareholders' expectations to 30 June 2012 in most (if not all) areas of its business.

Officers will provide a report on the LGFA's annual report and financial statements to 30 June 2012 at the next CCOPS meeting scheduled for November 2012.

#### **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 2011/12:

Karori Sanctuary Trust  
Wellington International Airport Ltd (public excluded)

### **5. Compliance with the 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.

The Basin Reserve Trust, Wellington Waterfront Ltd and Wellington Regional Stadium Trust have provided full audited financial statements but without an explanatory report.

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

## 6. Long Term Plan reference

### *Operating Expenditure*

\$'000	Annual Plan Project	Operating Grant Total	Actual Total	Annual Plan Total
Karori Sanctuary Trust <sup>1</sup>	A288	40	649	727
Wellington Waterfront Ltd	A312	1,075	1,089	1,026
- Wellington Waterfront Ltd Project <sup>2</sup>	C378	-	324	345
Basin Reserve Trust	C008	180	600	612
Wellington Zoo Trust <sup>3</sup>	C046	2,799	4,236	4,180
Wellington Museums Trust <sup>4</sup>	C102	7,710	8,243	8,343
- Carter Observatory	C659	300	782	787
Positively Wellington Tourism	C105	4,740	4,740	4,740
- Australia marketing <sup>5</sup>		1,000	1,000	1,038
- Long haul aircraft attraction	C658	200	200	200
Wellington Venues Ltd <sup>6</sup>	C686	131	3,015	3,094

<sup>1</sup> A288 lower interest incurred on loan due to favourable interest rates.

<sup>2</sup> C378 difference between budgeted and agreed grant.

<sup>3</sup> C046 overspend relates to higher than budgeted depreciation.

<sup>4</sup> C102 underspend is due to lower interest costs due to favourable interest rates.

<sup>5</sup> \$1.038m matching funds for Australian Marketing Campaign budget, \$1m of matching funds paid.

<sup>6</sup> Includes project C101. Lower org costs offset an unfavourable operating position.

The Wellington Regional Stadium Trust, Positively Wellington Venues, 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 <sup>1</sup>	CX125	263	242
Wellington Zoo Trust Upgrades <sup>2</sup>	CX340	1,842	4,289
Wellington Waterfront Development <sup>3</sup>	CX131	3,356	2,100
- Wellington Waterfront Dev. CF	CX131_CF11	1,344	1,344
Basin Reserve <sup>4</sup>	CX503	220	297
- Basin Reserve CF	CX503_CF	12	74

<sup>1</sup> CX125 variance to budget offset by income received relating to the insurance claim for the Serval enclosure

<sup>2</sup> CX340 Variation is due in part to the changed scope and phasing of the Asia Precinct project that has affected the broader Zoo Capital Plan

<sup>3</sup> CX131 and CX131\_CF11 over spend relates to non receipt of commercial proceeds from the sale of the Shed 5 lease.

<sup>4</sup> CX503 and CX503\_CF under spend relates in large part to project work that was delayed pending the results of earthquake strengthening assessment work at the Basin

The above figures do not include unspent capex during 2011/12 that has been approved for carry-forward to 2012/13.

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***

2011/12 returned good results for the Basin Reserve Trust with revenue projections exceeded and event numbers on target. After absorbing depreciation of \$267k, the Trust recorded a deficit of (\$111k) for 2011/12 against a budgeted deficit of (\$154k). This favourable result was due in part to unanticipated ground hire and hiring of the replay screen during Rugby World Cup 2011, and greater use of the off-field practice facilities by international cricket teams. Expenses were 6% over budget as a result of increased operating expenses, depreciation, a \$14k increase in the management fee to Cricket Wellington.

The cricket highlight was the NZ v South Africa in March which, while rain affected, had an attendance of over 100,000. Most KPI targets were achieved, although some capital projects were deferred to 2012/13. The Trust is working closely with the Council to complete deferred maintenance work and establish a regular maintenance programme. The Trust was successful in winning a \$50k grant to undertake much needed upgrade work on the player facilities in the R.A. Vance stand. During the year the Trust made progress on the significant issue of the earthquake resilience of the Museum stand. Working with Council officers, the Museum Stand was closed to crowd loading in February pending the results of further earthquake resilience testing.

In December 2011 the Trust thanked Glenn McGovern for his 7 years of service as a trustee and welcomed Sir John Anderson as a new director to the board.

#### ***7.2 Capacity Infrastructure Services Limited***

Capacity had a steady trading year and contained costs, particularly personnel which is a significant operating expense for the company. Capacity returned a surplus in 2012 of \$87k, with a 4.6% increase in operating expenditure offset by

an increase in operating revenues of 6%. The company's Key Performance Indicators were achieved in 2012.

The company has undertaken a significant review of its ownership and governance structure with respect to the regionalisation of services and, as at 30 June 2012, Wellington, Hutt and Upper Hutt City Councils voted to approve adding Upper Hutt and Porirua City Councils as shareholders in Capacity.

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

PWT continues to achieve growth in a number of areas within a challenging economic climate, and Wellington continues to outperform other New Zealand cities as a national and international tourist destination. Work has continued on developing the Australia markets with a number of strategic partnerships confirmed during the year. Closer to home, initiatives such as Visa Wellington on a Plate and the '3 for Two' hotel campaign continue to draw people in to the CBD. In the virtual space, PWT has achieved strong results through various media channels and is now able to share information directly with over 200,000 'fans'.

The financial result for the year was an operating surplus of \$3k compared to a budgeted deficit of (\$38k). Total income, excluding Visitor Centre trading income, was \$8m, \$1.4m below budget due to lower Partner Income with Air New Zealand as part of the Australian Marketing programme (the campaign structure changed, with each organisation paying accounts up to \$1m). There was, however, a correspondingly favourable result on expenditure. The Wellington i-Site Visitors Centre continues to perform strongly, with sales \$530k better than budget as a result of operational changes and sales generated through Rugby World Cup 2011 and increased cruise ship visitation. The closing cash position of \$1m was significantly better than the budget of \$403k. Aside from projections for the Convention Bureau Sales and Marketing, the company met or exceeded all of its KPIs.

### **7.4 Wellington Cable Car Limited**

The company has returned another sound trading performance in 2012 with operating cash flow of \$576k. The company's sound profitability has seen it build up cash and short term investments to \$2.2m (30 June 2012) in preparation for the redevelopment of the Kelburn terminus in the current financial year. The key strategic issue facing the company in coming years is its funding arrangement with Wellington Regional Council for its management of the trolley bus overhead network (which is due to terminate 30 June 2017). This is a significant part of the company's operations and is an exposure. However, discussions on its future are underway and the outcomes will be known well ahead of June 2017.

### **7.5 Wellington Museums Trust**

The Trust had a successful year, reporting an overall surplus (excluding Carter) that was better than budget. After allowing for depreciation of \$376,564 the



Trust achieved a surplus of \$7,305 compared to a budgeted deficit of \$95,000. The Trust is on track to achieve a breakeven position and fully fund depreciation as agreed with Council. However, its ability to absorb cost increases without affecting the programme is increasingly difficult to achieve.

The Trust delivered a range of exhibitions and events to an audience of 607,613 visitors. Visitor satisfaction levels have increased to an average of 94.5%, and the profile of these institutions amongst Wellington's residents increased overall.

### **7.6 Positively Wellington Venues Ltd**

In its first year of trading, Positively Wellington Venues has made steady progress throughout 2011/12 in developing its operating platform and signalling its business intentions for the future. At the same time, the company has also faced some significant challenges, especially around integrating the St James Theatre Trust business and developing the business case for a temporary venue to replace the Town Hall during seismic strengthening work. The company still faces uncertainty around a replacement venue for the Town Hall that, when confirmed, could impact on their operating expectations for 2012/13.

Venues did not meet its revenue or event projections for 2011/12 in part due to optimistic budgeting based on venue booking and performance data prior to the establishment of the company. Unbudgeted transactions cost of \$811k were incurred, reflecting additional costs of developing a business case for the temporary replacement venue and increases in the TSB management fee. These costs have been identified separately as they reflect costs which are largely non-recurring, related to the establishment of the entity to give a picture of the underlying performance of PWV.

This year has provided PWV with baseline performance data against which relevant performance measures can be set and future progress assessed. With a new senior management team in place, PWV will be set in 2012/13 to market the venues aggressively in order to achieve their growth targets for revenue and venue utilisation, while continuing to work with the Council to ensure that community groups are able to access the facilities.

### **7.7 Wellington Waterfront Ltd**

WWL achieved several milestones this year with the highest visitor numbers recorded on the waterfront during October 2011 for the Rugby World Cup festivities and the Royal NZ Navy's 75<sup>th</sup> anniversary celebrations, and the start of construction towards the redevelopment of the Overseas Passenger Terminal. However, the sale of a long term lease for Shed 5 was unsuccessful which resulted in the company not achieving its capital revenue projections for the year and reaching its loan limit at year end. In addition, the decision handed down from the Environment Court on District Plan variation 11 meant that the proposed development of Site 10 could no longer proceed as planned. The decision has, however, provided a greater understanding of the development

potential for the Kumutoto precinct and the company is moving ahead with plans to seek proposals for these sites during 2012/13.

The company met all of its targets, with the exception of work on the Outer T that was cancelled due to cost and Site 10 that was put on hold as a result of the Environment Court decision. Key projects completed in 2011/12 included the completion of the Kumutoto public toilets and temporary buildings for marina service businesses near the Overseas Passenger Terminal.

The Project made an operating deficit of (\$2.04m) compared to a budget deficit of (\$3.4m). The overall net deficit was (\$13.1m) primarily as a result of the recognition of assets not previously recognised in the financial reporting. A loss on revaluation of \$11.1m was attributed to the current year's result and a \$77.5m gain applied retrospectively to the previous year. Operating revenue of \$10.2m exceeded the budget as a result of the recognition of profit gained by entering in to a long term lease on commercial property of \$5.3m. The sale intended for the previous financial year went unconditional in December 2011. However, operating expenditure of \$12.2m was \$4.4m over budget due primarily to additional depreciation of \$2.7m on assets not previously recorded in these financial statements and an unrealised loss on investment and development properties of \$1.9m due to the revaluation of Waterfront assets.

## **7.8 Wellington Zoo Trust**

2012 was a very strong year for the Wellington Zoo Trust, with visitor numbers of 216,597 and an operating surplus of \$5k. While operating revenues have increased only marginally, the Zoo has continued to focus on its core operations and is achieving very credible results. As such, total revenue was stable with increased admissions revenues offsetting a fall in non-Council grants and donations. The Trust achieved most of its performance targets, although staff turnover was slightly higher than anticipated. The Trust continues to meet its capex target.

The Zoo achieved several milestones through 2011/12. The number of visitors reached 216,457, exceeding 200,000 for the first time. The Trust also recorded over 1,500 animal contact hours. The unexpected visit of the Emperor penguin (known as Happy Feet), who was treated at the Nest and released to the Southern Ocean, proved a strong draw for visitors. Another part of 'The Hub' precinct was officially opened by Her Worship the Mayor Celia Wade-Brown and Maurice Hayes, Chairman Pub Charity.

### **Other Organisations:**

## **7.9 Wellington Regional Stadium Trust**

The Trust recorded another very good result in 2011/12. While the stadia market is a competitive one, particularly in the current economic conditions, the Trust is well positioned to embark on its Stadium Master Plan, with a forecast continuing level of profitability that allows for capital investment and repayment of external debt.

Overall, the Trust achieved a net surplus of \$3.91 million, 13% ahead of the previous year and met all its performance targets, including hosting 55 events and having a total attendance of 250,350 at Rugby World Cup 2011 games in Wellington.

During the year WRST completed the design concepts, specific projects, timelines and detailed budgets for the Stadium Master Plan, discussions with stakeholders, and made the public announcement of the plan. The Trust plans to spend \$29 million in the next five years on renewing and upgrading many aspects of its operation to enhance the spectator experience, improve facilities for members and box holders, improve the facilities for the rugby sevens tournament, and attract other major events.

The Trust has also conducted extensive research with the 2,600 current stadium members to establish their views on their membership and obtained their opinions on a range of renewal options. The second stage of research is underway with a wider group to understand the types of membership options the Trust should offer, and establish the level of interest in purchasing memberships in 2015.

#### **7.10 ZEALANDIA (Karori Sanctuary Trust)**

Through 2011/12, there have been encouraging improvements in the Trust's core (non- grant funded) activities. The financial deficit for the year of \$1.4m was significantly better than the plan of \$2.03m, and excluding Council grants was an improved result compared to 2010/11. However, a decline in grants and donations has caused KST to record growing cash losses, emphasising just how sensitive the Trust is to this revenue stream. In terms of the Trust's performance indicators, Zealandia did not reach its visitor number projections, although visitor experience ratings continue to exceed expectations.

In terms of operations, the Trust had a successful year with 85% of night tours during the year reporting at least one little spotted kiwi seen, compared with 70% the year before. Fifteen tuatara hatched at Victoria University of Wellington, after being rescued from three disturbed nests, were transferred to three specially built display enclosures. Similarly, 85% percent of night tours reported seeing tuatara, up from 74% the previous year. Capital projects continue to improve the visitor experience with a new enclosure the Te Mahanga track enabling visitors on night tours to see the nocturnal Maud Island frog, which would otherwise be out of sight. Over 33,000 volunteer hours were carried out in 2011-12.

In April/May 2012, a public consultation was held alongside Council's Long Term Planning processes to help inform elected members of the appetite for providing the necessary support to underpin its immediate viability ("Eco-city consultation"). As a result of the consultation, Council agreed to provide funding for KST subject to certain conditions. An interim board of trustees was confirmed in July 2012 and tasked with undertaking the strategic review and making changes to minimise the likely future cost to Council of KST's operations.

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

The quarterly report for the quarter ended 30 June 2012 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 Officer:

*Richard Hardie, Portfolio Manager, Council Controlled Organisations*  
*Warwick Hayes, 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 2012-22 Long Term Plan.*

### 2) LTP/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.*

## Basin Reserve Trust

### REVIEW OF 2011/12 ANNUAL REPORT

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#### 1. Purpose of report

The Basin Reserve Trust (BRT or the Trust) presents its Annual Report for 2011/12, including audited financial statements and performance measures.

#### 2. Highlights for the year

- Officers note that the Hawkins Basin Reserve was voted by the NZ Players Association as the “Ground of the Year” for the third consecutive year.
- The Basin played host to 5 domestic Twenty20 matches between December 2011 and January 2012.
- The Firebirds fan day was held on 23 December with approximately 400 children.
- In February, the Trust was awarded a Lion Foundation grant of \$50k as a contribution towards the costs of upgrading the players changing room facilities in the R.A. Vance stand.
- Work on the Museum Stand was undertaken to understand the full extent of earthquake strengthening required and determine the future of the stand. In February 2012 the stand was ‘yellow stickered’ and closed to crowd loading during events at the Basin Reserve.
- In March 2012, the Basin Reserve hosted the NZ v South Africa test match. Despite the first two days being weather affected, over 11,000 people attended the test.
- The final of the Gillette Cup schoolboy competition was held in March 2012, as well as the Governor General’s XI match.

#### Statement of Financial Performance

##### Statement of Comprehensive Income

\$ '000	2011/12 FY Actual	2011/12 FY Budget	2010/11 Actual
Income	601	518	381
Income excl WCC grants	421	338	201
Expenditure	445	406	413
Depreciation	267	266	262
Surplus/(Deficit)	(111)	(154)	(294)

##### Statement of Financial Position

\$ '000	2011/12 FY Actual	2011/12 FY Budget	2010/11 Actual
Current assets	111	242	141
Non current assets	1,140	1,106	1,321
Current liabilities	102	20	198
Non current liabilities	-	-	4
Equity	1,149	1,328	1,260

Current ratio	1:1	12:1	0.7 : 1
Equity ratio	91%	99%	86%

#### Statement of Cash Flows

\$ '000	2011/12 FY Actual	2011/12 FY Budget	2010/11 Actual
Operating	30	112	(20)
Investing	(71)	(60)	(12)
Financing	(6)	-	(4)
Net	(46)	52	(36)
Closing balance	42	152	88

*Note: the Trust's financial statements comply with NZ IFRS.*

A review of the Trust's financial statements highlights the following points:

- After absorbing depreciation of \$267k, the Trust recorded a deficit of (\$111k) for 2011/12 against a budgeted deficit of (\$154k).
- This favourable result was due primarily to revenues being 16% above budget because of:
  - unanticipated ground hire and hiring of the replay screen during Rugby World Cup 2011
  - greater use of the off-field practice facilities by international cricket teams
  - a \$50k grant from the Lion Foundation to upgrade dressing room facilities.
- Expenses were 6% over budget as a result of increased operating expenses, depreciation, a \$14k increase in the management fee to Cricket Wellington, and an unbudgeted operating contribution of \$10k to the maintenance of Karori Park.
- Event running costs were \$29k over budget as a result of needing to bring in additional toilet facilities for the test match because of the closure of the Museum Stand, and the cost of general repairs and cleaning prior to the Test of \$13k.

#### **Key Performance Indicators (KPI)**

Overall, the Trust performed well on its KPIs for the number of cricket events this year, although slightly short of its target for cricket event days as a result of bad weather washing out play on some days. The KPI for other sports, however, was exceeded due to unplanned usage of the ground as a practice facility during Rugby World Cup 2011. As a result, event revenue exceeded budget by \$7k (5%).

Numbers attending events were 23% below budget primarily as a result of two days of the South Africa cricket test being washed out and weather affecting attendance numbers to several 1<sup>st</sup> class matches at the Basin.

Below are the audited measures for the year:

<b>Number of Events</b>	<b>2011/12 Actual</b>	<b>2011/12 Target</b>	<b>2010/11 Actual</b>
Cricket	16	16	16
Other sports	11	4	7
Community	1	2	10
<b>Total Events</b>	<b>28</b>	<b>22</b>	<b>33</b>
<b>Number of Event Days</b>	<b>2011/12 Actual</b>	<b>2010/11 Target</b>	<b>2010/11 Actual</b>
Cricket	29	32	34
Other sports	11	4	7
Community	1	2	11
<b>Total Event Days</b>	<b>41</b>	<b>38</b>	<b>52</b>
	<b>2011/12 Actual</b>	<b>2010/11 Target</b>	<b>2010/11 Actual</b>
Number attending events	24,507	36,000	41,560
Event revenue	\$367,449	\$335,000	\$194,903
Non-event revenue as % of total revenue	39%	35%	58%

## **Council Strategies**

The Basin Reserve Trust contributed to a number of Council strategies during 2011/12, primarily:

### **Dynamic Central City:**

The Trust continues to advocate for events that draw significant crowds to the Basin Reserve, including in 2011/12 the New Zealand vs. South Africa cricket test, 5 domestic 20/20 matches, and the final of the *Gillette Cup* schoolboy cricket competition. The Trust continues to work towards addressing the deferred maintenance issues and developing and implementing an asset management plan to ensure that the Basin Reserve remains a premiere venue for cricket and other activities.

## **Governance**

The Trustees during the year were:

Douglas Catley (Chair)  
 Don Neely  
 John Morrison (Councillor)  
 Glenn McGovern (retired December 2011)  
 Sir John Anderson

Sir John Anderson was appointed to the Trust board in December 2011 to replace Glenn McGovern.



## **Key issues and activities going forward**

### **Increased Council funding**

As part of the Council's 2012-22 Long Term Plan, the Trust's operational funding from Council in 2012/13 will increase to \$350k per annum to offset increases in operating, maintenance and security costs. The increase will give the Trust the opportunity to move ahead with a comprehensive maintenance programme, a greater ability to market and promote the venue for cricket and other events, and address the Trust's cash position.

### **Security and Vandalism**

Following the decision to make permanent the night time closure of the Basin Reserve, the Trust will continue to consider strategies for deterring vandalism both inside the grounds and around the perimeter fence.

### **Asset Management**

Work will continue on addressing the deferred maintenance work identified in the Shand Shelton report. The Trust will work with Council officers to draw up a capex and opex work programme, and develop and asset maintenance plan to have in place by 2013/14.

### **Basin Reserve Flyover**

The Trust will continue to monitor and have input into the New Zealand Transport Association's plans to build a flyover around the Basin Reserve through to the Mt Victoria Tunnel in order to mitigate any environmental impacts on the ground.

### **Events**

In March 2013 the Basin Reserve will host the New Zealand v England cricket test which is expected to draw strong crowds (previous tests with England have drawn crowds in excess of 30,000). The Trust will also look to secure other sporting and cultural engagements as improvements to the ground drainage allow for less down time between events. A particular focus will be preparing the Basin Reserve for the 2014 Cricket World Cup.

## **3. Conclusion**

2011/12 returned good results for the Basin Reserve Trust with revenue projections exceeded and event numbers on target. The cricket highlight was the NZ v South Africa in March. KPI targets were achieved, although some capital projects were deferred to 2012/13. The Trust is working closely with the Council to complete deferred maintenance work and establish a regular maintenance programme. The Trust was successful in winning a \$50k grant to undertake much needed upgrade work on the player facilities in the R.A. Vance stand. During the year the Trust made progress on the significant issue of the earthquake resilience of the Museum stand. Working with Council officers, the Museum Stand was closed to crowd loading in February pending the results of further earthquake resilience testing.

In December 2011 the Trust thanked Glenn McGovern for his 7 years of service as a trustee and welcomed Sir John Anderson as a new director to the board.

# CAPACITY INFRASTRUCTURE SERVICES LTD

## REVIEW OF 2011/12 ANNUAL REPORT

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### 1. Purpose of report

Capacity Infrastructure Services Ltd (Capacity or the Company) presents its Annual Report including audited financial statements and performance measures.

### 2. Highlights for the year

- Developed a condition model for water supply pipelines to improve renewal cost forecasts
- Completed major storm water pump station in Kilbirnie to alleviate flooding risk and serve new indoor stadium
- Karori reservoirs enlarged and strengthened for earthquake resilience, commissioned ahead of schedule
- Regional emergency water supply and sewage disposal plans completed
- Carmichael Reservoir, Wellington upgraded and strengthened
- Staff member Keith Woolley selected to join leading international research and consulting institute
- Unaccounted-for water reduced to 13% in Wellington city, compared to 25% in 2004-05
- Managed \$113 million spending for three clients, including \$38 million in capex projects and \$65 million on opex

### Statement of Financial Performance

\$ '000	2011/12 FY Actual	2011/12 FY Budget	2010/11 Actual
Income	7,798	7,880	7,340
Expenditure	7,714	7,880	7,378
Operating Surplus/(Deficit)	84	0	(38)
Net Surplus/(Deficit)	87	0	(39)

### Statement of Financial Position

\$ '000	2011/12 FY Actual	2011/12 FY Budget	2010/11 Actual
Current assets	1,700	1,203	1,187
Non current assets	165	12	96
Current liabilities	1502	902	1007
Non current liabilities	0	0	0
Equity	363	313	276
Current ratio	1.13	1.33	1.18
Equity ratio	21.5%	25.8%	19.5%

## Statement of Cash Flows

\$ '000	2011/12 FY Actual	2011/12 FY Budget	2010/11 Actual
Operating	345	(147)	(320)
Investing	(115)	(16)	(28)
Financing	0	0	0
Net	230	(163)	(348)
Closing balance	379	327	149

A review of the Company's financial statements highlights the following points:

- Capacity returned a surplus in 2012 of \$87k versus the deficit in 2011 of \$39k. The company does not budget to make a profit or loss and a deficit or surplus generally reflects timing differences between operating costs and revenues.
- Operating expenditure increased by 4.6% to \$7.7m (2011: \$7.3m).
- Personnel costs are the largest single category of operating expenditure for Capacity and were contained at \$5.75m (2011: \$5.72m), and increase of 0.5%.
- Operating revenues increased by 6.1% from \$7.3m to \$7.8m.
- Capacity's balance sheet reflects its management company purpose, with a small capital base (net worth) of \$0.4m representing paid up capital of \$0.6m and retained losses of approximately \$0.2m.

A review of WCC's internal reports (detailing the performance of the Council's water and drainage assets) shows:

### Tacy Street Storm water Pump Station

- Construction of the Stormwater Pump Station at Tacy Street Kilbirnie is complete. The Tacy street pump station was a high priority project implemented to reduce the risk of flooding in the Kilbirnie area. The pumping station pumps stormwater from the existing stormwater network out to the ocean outfall. Construction of the pump station commenced in 2010/11 and was completed in March 2012. The design/construction of the pump station was a difficult project due to its location and large pumping capacity, and is the topic of a paper to be presented to the 2012 Water NZ conference outlining the innovative solution.

### Messines Road Water Reservoir Upgrading

- Construction of the \$4.5 million reservoir upgrade project commenced in 2010/11 and was programmed to be completed in December 2012. The reservoir upgrades improves the seismic resilience of the reservoirs and will increase the storage capacity to consumers in the Karori area. The project is progressing ahead of programme with construction and commissioning of the two replacement tanks complete. The project is scheduled for completion in October 2012.

## Carmichael Reservoir Upgrade

- The upgrade of the Carmichael reservoir was carried out in 2011/12 to improve the seismic resilience and extend the longevity of the structure. The upgraded reservoir will enable maximum water storage to be available for normal use and post an earthquake event.

## Emergency Management

- Regional emergency water supply and sewage disposal plans were prepared during 2011/12. The high level plans identify supply and disposal options available to the regional TA's following a major earthquake event. A low level draft plan for the supply of water to Wellington city following a major earthquake was also prepared identifying a programme and funding requirements for the options available to Wellington City.

## Regional Code of Practice for Water Services

- A regional COP was developed for adoption by the regions TA's. Consultation with stakeholders is being carried out prior to adoption and implementation by the respective TA's.

A review of the Company's capex and opex spending in 2011/12 shows:

### Capital Project Expenditure

\$ '000	Actual	Budget	Variance to Budget	
WCC	25,890	24,294	6.2%	includes carry forward of Moa Point wastewater treatment plant; Tasman Street water main upgrade
HCC	10,008	12,508	20.0%	includes carry forward for Dowse Drive stormwater improvement, Vista Grove, Wainuiomata catchment sewer renewal and trunk DBO network development
UHCC*	3,841	4,311	10.9%	includes carry forward of pressure management and trunk DBO network projects
Total	38,143	42,709	10.7%	

### Operating Project Expenditure

\$ '000	Actual	Budget	Variance to Budget	
WCC**	38,282	37,409	(2.3%)	unfavourable variance relates to reactive maintenance historic spend coupled with contract price increase in wastewater treatment plant
HCC	21,123	22,346	5.5%	includes carry-over of operating projects (DBO main outfall leak invest and repairs), reduced bulk water charges and water consumption, favourable DBO contract escalation rates and reduction in major reactive maintenance works

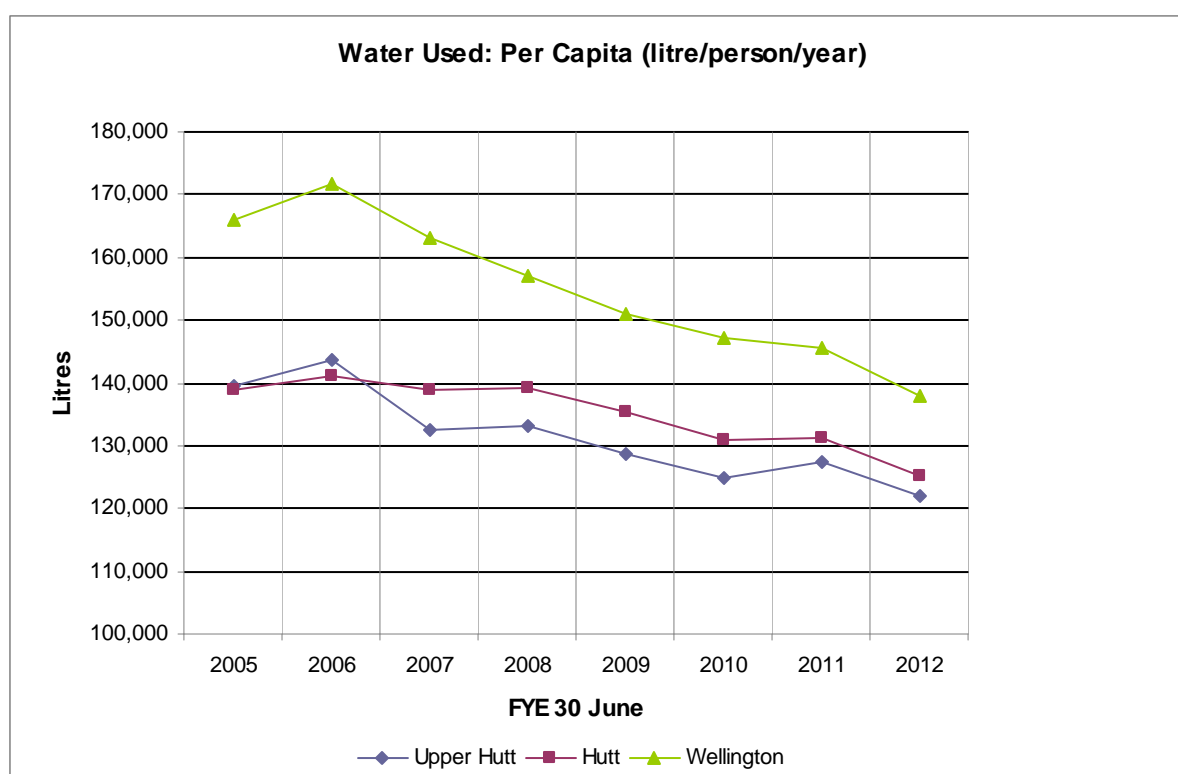
UHCC*	6,085	6,305	5.4%	favourable variance is due to savings in CCTV activities, favourable operating costs and carry-over of Pinehaven Stream study
Total	63,802	63,492	1.1%	

\* These figures may not reconcile to WCC figures as Capacity makes an additional adjustment for non-controllable costs (e.g. depreciation, insurance) at the sewage plant (C087).

## Operations

In the year to 30 June 2012, Capacity managed over \$100m in expenditure on projects to improve and maintain the three water networks of its clients.

The company completed a major project to reduce the risk of flooding in the Upper Hutt central business district, commissioned a new pump station to handle increased storm water volumes from the indoor community sports centre in Kilbirnie, and completed the final stage of a \$5.6 million flood mitigation programme in Wainuiomata.



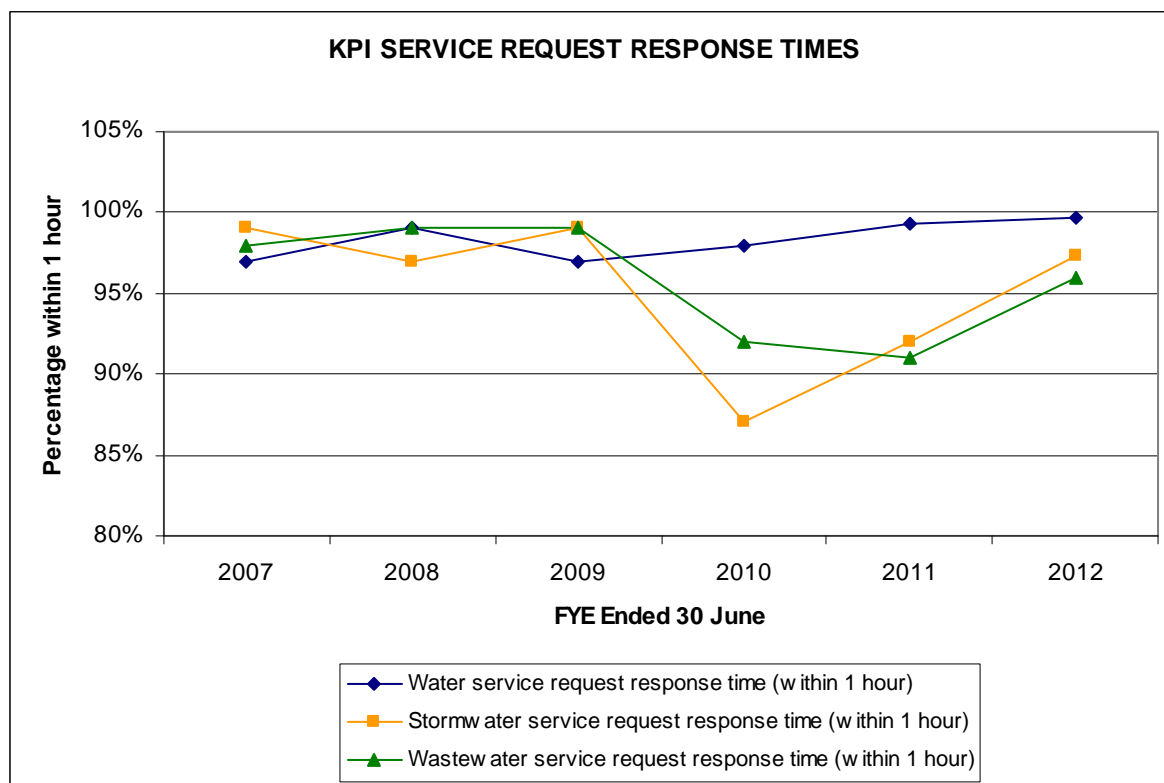
## Water Conservation Plan

- **Leak detection:** Forty-seven out of Wellington City's 63 area zones were surveyed in the 2011–12 year. Reducing the amount of water lost through leaks in the private and public networks contributes to overall reduction in demand, as well as minimising damage to property. Water usage in Wellington for the 12 months to June 2012 year was 1,228,000 m<sup>3</sup> less than for the 2010–11 year. This was the sixth consecutive year that water usage has come down – a 14% or 4,444,000 m<sup>3</sup> reduction in water usage since 2005–06.

- Water restrictions during summer: ‘Use a bit less, make a big difference’ branding and marketing developed with Greater Wellington, Upper Hutt, Wellington, Hutt and Porirua councils. Water consumption reached a decade low. This and a relatively damp summer meant there was no need for additional garden watering restrictions. Demand management is vital to deferring investment in new water supply or storage facilities. Coordinated marketing will continue in the coming year.
- Water pressure management: Wellington’s hilly topography can create excessive pressure. Water pressure management helps reduce bursts and leaks by reducing wear and tear on pipes, and saves money by reducing lost water.
  - Established 5-year return on investment for pressure management project in Roseneath, Wellington, through reduced bursts and water loss by leakage.

Unfortunately, the operational highlights for the year were overshadowed shortly after year-end by a fatality at a site under Capacity’s management. During the operation of bedding a new pipe on Devon Street, an excavator slipped crushing an employee of Construction Contracts Ltd. The injuries sustained were fatal.

### Key Performance Indicators (KPI)



Note: KPI for Wastewater service request response time in 2012 only represents Wellington City.

As set out below, the Company has achieved its target for the majority of its performance measures for 2010/11.

<b>Performance targets for Capacity from Statement of Intent 2011/12</b>		
<b>KEY PERFORMANCE INDICATOR</b>	<b>ACTUAL</b>	<b>RESULT</b>
Service quality: Fewer than 4 unplanned water supply cuts per 1000 connections	Achieved	WCC – 1.2 HCC – 3.0 UHCC – 2.1
Service quality: Fewer than 1.2 wastewater incidents (blockages) reported per km of wastewater reticulation pipeline	Achieved	WCC – 0.5 HCC – 0.9 UHCC – 0.5
Service quality: Dwelling flood notifications as a result of a 1:50 year flooding event (or less).		WCC – 0.0 HCC – 0.0 UHCC – 0.0

<b>Performance targets for Capacity from Statement of Intent 2011/12</b>		
<b>KEY PERFORMANCE INDICATOR</b>	<b>ACTUAL</b>	<b>RESULT</b>
Service quality: Water quality compliant with standards.		WCC – A1b HCC – Bb UHCC – A1a
Customer focus: Respond to at least <b>97%</b> of all service requests within 1 hour of notification (average of 3 waters).	Achieved	WCC – 99.7% HCC – 100% UHCC – 99%
Customer focus: Completion of approved asset management plan within agreed time frame	Not achieved for WCC	WCC – On request from Wellington City Council a three waters summary asset management plan was produced in October 2011. This meant it was not possible to meet the previously agreed timeframe for the full plans. HCC – Achieved UHCC – Achieved
Customer focus: Report by Dec 2011 of action plan for water following an emergency event.	Achieved 2012	Measure was established in 2011.
Cost effectiveness: Trend of operating cost of delivering water supply, wastewater and storm water services relative to a national average	Achieved	This is the fourth year Capacity has undertaken this exercise.  Operating cost per property: The three-year (2008–2011) average cost of delivering the three water activities among cities surveyed is \$218.10 per property (blue line).

<b>Performance targets for Capacity from Statement of Intent 2011/12</b>		
<b>KEY PERFORMANCE INDICATOR</b>	<b>ACTUAL</b>	<b>RESULT</b>
		Costs vary according to topography, network age and materials.

<b>Performance targets for Capacity from Statement of Intent 2011/12</b>		
<b>KEY PERFORMANCE INDICATOR</b>	<b>ACTUAL</b>	<b>RESULT</b>
Compliance: Full compliance with relevant standards, resource consents and legislation	Mainly achieved	Awaiting outcome of compliance report.
Deliver capital projects within budget and time frames	Achieved	See separate table
Deliver operating projects within budget and time frames	Achieved	See separate table
Manage Capacity within budget	Mainly achieved	See Statement of Comprehensive Income table

<b>Performance targets for Wellington City Council 2011/12</b>		
<b>KEY PERFORMANCE INDICATOR</b>	<b>ACTUAL</b>	<b>RESULT</b>
Compliance with New Zealand drinking water standards	100%	2012: 100% 2011: 100% 2010: 100%
Water distribution network quality grading	Graded 'a' to 'b'	2012: 'b'
Response time to service requests (customer contact and work prioritisation within one hour of request)	97%	2012: 99.7% 2011: 99.3% 2010: 98%
Customer satisfaction with water network	85%	2012: 97.8% 2011: 94% 2010: 94%
Complaints re: taste and odour *	Less than 80	2012: 202 2011: 289
Properties with appropriate water pressure (250kpa) **	98%	2012: 96% 2011: 96% 2010: 96%



<b>Performance targets for Wellington City Council 2011/12</b>		
<b>KEY PERFORMANCE INDICATOR</b>	<b>ACTUAL</b>	<b>RESULT</b>
Estimated % unaccounted-for water	19.5%	2012: 13% 2011: 14% 2010: 16%
“Residential” consumption	345l per person/day	2012: 282l 2011: 297l

\* The main cause of taste and odour issues was the change in supply from ‘run of river’ water to water from storage lakes, a factor beyond Capacity’s control. The majority of these complaints continue to be associated with either the change of supply (lake to river) or when using the river supply where there is low rainfall. We continue to work with the Greater Wellington Regional Council on this matter.

\*\* Capacity is working on reviewing this measure. The result is due to some older water supply zones having lower pressure, which cannot be improved without significant cost (as pipe upgrades are progressively carried out this will improve). It is also a result of housing development above existing reservoir levels.

WCC also has two other targets that were reported on in its annual report:

- A target for **95%** of fire hydrants tested to meet NZ Fire Service Code of Practice fire fighting water supply requirements. 2012 result 100% (2011: The Fire Service did not carry out testing in Wellington during 2010/11).
- A target of **90%** of residents surveyed to agree that water services provide good value for money. In 2012 84% of respondents agreed (2011 85%).

<b>WASTEWATER - KEY PERFORMANCE INDICATOR</b>	<b>TARGET</b>	<b>ACTUAL</b>	<b>RESULT</b>
Response time to service requests (customer contact and work prioritisation within one hour of request for Response A; people on site equipped to make the repair for Response B)	97%	96% 91% 92%	2012: Not achieved* 2011: Not achieved 2010: Not achieved
Customer satisfaction	85%	93.5% 94% 100%	2012: Achieved 2011: Achieved 2010: Achieved
Resource consent compliance	100%	100%	Achieved

\* This indicator is reported as a technical non-achievement because the council contractor responsible was unable to report on Response A times.

<b>STORMWATER - KEY PERFORMANCE INDICATOR</b>	<b>TARGET</b>	<b>ACTUAL</b>	<b>RESULT</b>
Response time to service requests (customer contact and work prioritisation within one hour of request for Response A; people on site equipped to make the repair for Response B)	97%	97.3% 92% 87%	2012: Achieved 2011: Not achieved 2010: Not achieved

Customer satisfaction	85%	93.8% 78% 88%	2012: Achieved 2011: Not achieved 2010: Achieved
Resource consent compliance	100%	100%	Achieved
Properties flooded as a result of a 1:50 year rain event	0	0	Achieved
Compliance at monitored bathing beaches	93%	95% 96% 95%	2012: Achieved 2011: Achieved 2010: Achieved
Compliance at monitored freshwater sites	90%	86% 100% 100%	2012: Not achieved 2011: Achieved 2010: Achieved

The additional target that WCC reports on in its annual report is that **90%** of residents surveyed agree that wastewater and storm water services provide good value for money.

- In 2012 70% of respondents agreed with this (2011 71%).

## **Council Strategies**

The Company contributes to a number of Council strategies:

Capacity contributes to its shareholding councils' visions and community outcomes through high quality, value-for-money management of water supply, storm water and wastewater infrastructure. Each of these services is essential to resilient communities seeking sustainable growth within a healthy and safe environment, and to that extent all of Capacity's activities contribute to Council's strategies and community outcomes.

- People Centred City
- Connected City
- Dynamic Central City
- Eco City

## **Governance**

The directors of the company at 30 June 2012 were:

Peter Allport (Chairman)  
 Andy Foster  
 Ian Hutchings  
 Peter Leslie  
 John Strahl  
 David Bassett

## **Key issues going forward**

### **1. Regionalisation & Governance**

At 30 June 2012, Wellington, Hutt and Upper Hutt city councils had voted to approve adding Upper Hutt and Porirua city councils as shareholders in Capacity. Porirua City Council is to vote on this in 2012.

As a result of the expected changes to its ownership and governance model, Capacity intends to re-focus on how it delivers on client expectations and will engage in a business excellence project aimed at improving productivity performance and continuous improvement capability. The company also intends to improve its standards of asset management practice, relative to three national and international benchmarks.

In support of a likely change in ownership structure that is expected to add both Upper Hutt City and Porirua City councils to the share register, Capacity will shift to an 'outcome-focused' funding and delivery model. To date, performance has been measured through a focus on inputs. However, it is considered more efficient to monitor the results, or outcomes, of decisions and the completed projects – and then for councils and communities to monitor that the project delivers the service required.

### **2. Integrating information management**

In order to achieve the full benefits available from the regional integration of water services, Capacity is working with its councils and external parties to identify the most effective merger of information systems.

### **3. Emergency Management**

Capacity manages the regional Water Services Preparedness Group (which is across Councils). With Wellington city being the most exposed to the risk of extended supply interruption, work is continuing on upgrading reservoir storage facilities and implementing a plan to install emergency storage tanks at over 30 locations around the city. Emergency preparedness will continue to be a key area of focus for the Council and Capacity over the next few years.

### **3. Conclusion**

Capacity had a steady trading year and contained costs, particularly personnel which is a significant operating expense for the company. The majority of the company's Key Performance Indicators were achieved in 2012.

# Positively Wellington Tourism

## REVIEW OF 2011/12 ANNUAL REPORT

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### 1. Purpose of report

Partnership Wellington Trust – trading as Positively Wellington Tourism (PWT) - presents its Annual Report for 2011/12, including audited financial statements and performance measures.

### 2. Highlights for the year

- **Downtown:** subscribers to the KNOW e-news publication grew 37% this year and continues to be an in-demand communications tool for Wellington businesses and events; the 2012 KNOW Wellington Advent Calendar was a big success, with a 26% increase in hits from 2010.
- **NZ Marketing:** The deal-based 3 for Two campaign was run successfully and again increased guest night figures (21%) during the traditionally slow winter period in Wellington; The Visa Wellington On A Plate event continues to grow and is raising Wellington's 'culinary capital' profile.
- **Australia:** PWT continues to push the Australian market hard through a variety of partnership initiatives which contributed to a 17.5% growth in Australian arrivals to Wellington; highlights included the Pop Up restaurant in Melbourne in November 2011 that generated over 120 pieces of Australian media coverage, and two major promotions run with Wotif.com – Australasia's largest online travel agent. Council's \$1m investment was nearly tripled through a variety of cash and in-kind partnerships, including Air New Zealand
- **International:** In November Wellington hosted the Society of American Travel Writers convention that delivered 191 media results in the 7 months to June 2012.
- **Digital:** PWT exceeded targets across all digital and social media KPIs, including visits to WellingtonNZ.com and online revenue.
- **I-Site:** Through the year, PWT continued to assess the delivery of its visitor information services and made improvements to the efficient operation of both the centre located at Civic Square and the one on board the Interislander's Kaitaki vessel; the 'City Ambassador' volunteer programme to provide in-person visitor information and help to cruise ship passengers was very successful.
- **Rugby World Cup 2011:** PWT successfully supported the Council in the delivery and management of marketing, media and visitor services for the tournament.

### Statement of Financial Performance

The Trust received funding of \$5.94m from the Council this year; this includes \$1m Australian marketing campaign funding and \$200k for Long Haul. The Trust's income has been derived from three key sources:

- 48% Wellington City Council funding (2009/10: 50%);
- 29% Visitor Centre income (2009/10: 30%)<sup>1</sup>
- 14% Partner income (2009/10: 14%)

### Statement of Comprehensive Income

\$ '000	2011/12 FY Actual	2011/12 FY Budget	2010/11 Actual
Total Income	11,377	12,236	11,909
Total Expenditure excluding depreciation	11,170	12,049	11,702
Depreciation	205	205	199
Operating Surplus/(deficit)	3	(38)	8

### Statement of Financial Position

\$ '000	2011/12 FY Actual	2011/12 FY Budget	2010/11 Actual
Current assets	1,412	678	1,422
Non current assets	272	295	388
Current liabilities	1,182	536	1,311
Non current liabilities	-	-	-
Equity	502	437	500
Current ratio	1.2	1.3	1.1
Equity ratio	30%	45%	28%

### Statement of Cash Flows

\$ '000	2011/12 FY Actual	2011/12 FY Budget	2010/11 Actual
Operating	82	183	590
Investing	89	91	338
Financing	-	-	-
Net	(7)	92	253
Closing balance	1,021	403	1,028

*Note: the Trust's financial statements have been prepared using NZ IFRS.*

A review of PWT's financial statements highlights the following points:

- The financial result for the year was an operating surplus of \$3k compared to a budgeted deficit of (\$38k) and a prior year surplus of \$8k.
- Total income, excluding Visitor Centre trading income, was \$8m, \$1.4m below budget due to lower Partner Income with Air New Zealand as part of the Australian Marketing programme (the campaign structure changed, with each organisation paying accounts up to \$1m), but a correspondingly favourable result on expenditure.
- Wellington i-Site Visitors Centre sales were \$530k better than budget as a result of operational changes and sales generated through Rugby World Cup 2011 and increased cruise ship visitation.

<sup>1</sup> This recognises Air NZ contribution (not a cash contribution). A programme of activity agreed with Air NZ was directly funded by Air NZ (rather than to PWT).

- Total expenditure excluding depreciation was \$11.2m, \$879k below budget primarily as a result of Australia Marketing costs.
- Income from cruise shuttle operations was \$127k, which was \$73k (136%) better than budget.
- The closing cash position of \$1m was significantly better than the budget of \$403k.
- Depreciation on the Visitor Centre increased from \$95k to \$130k as a result of the upgrade of the facility.

## Key Performance Indicators (KPI)

The tourism industry in Wellington has started to rally against the global financial and environmental forces that characterised the previous year. Record winter guest nights and a strong trans-Tasman market have enabled the tourism spend in the city to grow 8% through the year. While Rugby World Cup 2011 did not have the anticipated impact on overall visitation to Wellington, the tournament did contribute to raising the profile of the city to national and international markets. Wellington's brand remains strong, especially following Lonely Planet's declaration of Wellington as the 'coolest little capital'. PWT's marketing strategy and strong push for a presence in Australia helped achieve a 18.3% increase in international arrivals to Wellington along with a 9.8% increase in weekend rooms sold in partner hotels.

In partnership with Wellington International Airport Ltd, PWT was engaged in a series of activities to profile the business case for bringing a long haul air route to Wellington.

The Trust's KPIs for the year, as agreed in its SOI, are listed below:

PERFORMANCE MEASURES	TARGET 2011/12	ACTUAL 2011/12
Australia Marketing – International direct arrivals to Wellington Airport from Australia	Increase Australian visitor arrival by 7% over 2010/11 levels	17.5% increase Status: Exceeded
Australia Marketing – Airline capacity	Maintain Airline capacity at 2010/11 levels	12% increase to 976,196 seats Status: Exceeded
International / Long haul – International visitor nights	Maintain international visitor room nights relative to 2010/11 levels	7.6% increase Status: Exceeded
New Zealand and Event Marketing – Domestic Visitor nights	Maintain domestic visitor nights at 2010/11 levels	1% increase Status: Achieved
New Zealand and Event Marketing – Weekend occupancy in partner hotels	Maintain 2010/11 levels	9.8% increase Status: Exceeded
Downtown Marketing – weekend visitation	Increase by 2% over 2010/11 levels	3.7% increase Status: Achieved
Downtown Marketing – audience of KNOW Wellington	Increase the audience (including Social Media) to 50,000	KNOW audience increased to 74,728 Status: Exceeded
i-Site Visitor Centre – i-Site revenue	Maintain revenue to 2010/11 levels	13.5% increase Status: Exceeded
i-Site Visitor Centre – Visitor numbers to i-Site	Maintain 2010/11 numbers	1.1% increase to 207,040 people Status: Achieved
Convention Bureau Sales and Marketing –	5% increase in leads and	1% decrease to 474

<b>PERFORMANCE MEASURES</b>	<b>TARGET 2011/12</b>	<b>ACTUAL 2011/12</b>
leads and referrals	referrals to Bureau partners relative to 2010/11	Status: Not achieved
Convention Bureau Sales and Marketing – Convention market share within NZ market	5% increase relative to 2010/11	1.5% increase to 23% of NZ market Status: Not achieved
Organisational – Cost effectiveness	Maintain Council's funding at less than 50% of total income	Council funding 48% Status: achieved
Organisational – Cost effectiveness	Maintain overhead costs as less than 13% of total activity costs	Overhead costs were 9.2% of total activity costs Status: achieved
Online and IT – Visits to <a href="http://www.WellingtonNZ.com">www.WellingtonNZ.com</a>	7% growth in visitors relative to 2010/11	7.2% increase to 1,756,145 visitors Status: achieved
Online and IT – Online revenue	Generate \$630k of bookings through the i-Site	\$704k sales Status: achieved

## **Council Strategies**

Positively Wellington Tourism contributed to a number of Council strategies during 2010/11, primarily:

### **People-Centred City:**

In addition to attracting tourists and visitors to Wellington, PWT was involved in organizing and supporting a number of high-profile activities and events, including Visa Wellington on a Plate and Rugby World Cup 2011. Through WellingtonNZ.com and the i-Site, PWT engages actively with Wellington's Arts and Culture sector to promote the city's museums, galleries, theatres and creative industries.

### **Connected City:**

Through the Australia Sales and Marketing efforts, and the work in establishing a long haul air route to Wellington, PWT is connecting Wellington to the rest of the world. International visitor nights increased by 7.6% during the year, while WellingtonNZ.com gives national and international virtual visitors a portal through which to explore the city.

### **Dynamic Central City:**

PWT continues to work with industry partners to develop and promote spending in the city. Weekend rooms sold in partner hotels grew 9.8% on last year, while bookings through WellingtonNZ.com were up 12% ahead of budget. PWT continues to develop the Wellington Convention Bureau to draw more convention business to the city.

## **Governance**

The Trustees during the year were:

John Milford (chair)  
Glenys Coughlan  
Ruth Pretty  
Kim Wicksteed  
Mike O'Donnell  
Jo Coughlan (Councillor)  
Peter Monk  
Howard Greive

Kim Wicksteed's term expired on 31 December 2011. Peter Monk, Ruth Pretty and Glenys Coughlan's terms expire on 31 December 2012.

## **Key issues and activities going forward**

### **Australian Campaign**

PWT will continue to work through 2012/13 to increase the recognition and desirability of Wellington as a visitor destination in the Australian market.

### **Long Haul Air Connectivity Strategy**

PWT continues to work closely with Wellington International Airport Limited and Wellington City Council to raise the profile of Wellington, and to work with airlines to develop the business case to initiate direct long haul flights into Wellington from Asia. Tourism New Zealand and the Ministry of Economic Development forecast that visitors to New Zealand from long haul markets except China will at best be maintained at current levels and that some important markets to Wellington such as the UK will continue to decline. PWT will continue to pursue conference and incentive business and the emerging Chinese independent traveller market.

### **Downtown Marketing**

The Trust notes that an ongoing weak economic situation in New Zealand and concerns regarding job security in the government sector in Wellington will impact on CBD visitation and retail spending.

### **Destination Wellington**

Destination Wellington project aims to attract business, talent and investment to Wellington City. PWT would be responsible for developing and telling *the Wellington story* through destination marketing that would show why Wellington is the place to invest, work or do business.

PWT would also develop a range of digital assets, such as websites and videos, and physical materials, such as brochures, to tell the story.

This is a new area of activity for PWT.

### **Conclusion**

PWT continues to achieve growth in a number of areas within a challenging economic climate and Wellington continues to outperform other New Zealand



cities as a national and international tourist destination. Work has continued on developing the long haul and the Australia markets with a number of strategic partnerships confirmed during the year. Closer to home, initiatives such as Visa Wellington on a Plate and the '3 for Two' hotel campaign continue to draw people in to the CBD. In the virtual space, PWT has achieved strong results through various media channels and is now able to share information directly with over 200,000 'fans'.

# WELLINGTON CABLE CAR LTD

## REVIEW OF 2011/12 ANNUAL REPORT

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### 1. Purpose of report

The Wellington Cable Car Limited (WCCL or the Company) presents its Annual Report including audited financial statements and performance measures.

### 2. Highlights for the year

- The Total Comprehensive Income for the year net of tax was \$632k (2011: \$137k), ahead of the budget of \$435k.
- Over one million cable car trips were delivered, a 1% increase on the previous year, with reliability in excess of 99%.
- The planned replacement of thin contact wire on the trolley bus overhead network in the Seatoun area was undertaken. In 2011, sections of the routes in Brooklyn, Lyall Bay and Island Bay were replaced.
- 100 trolley bus overhead poles were replaced as part of the urgent and critical maintenance programme (2011: 120 poles).
- Funding from Wellington Regional Council continued for the maintenance of the overhead network allowing the backlog of urgent and critical maintenance to continue to be addressed.

### Statement of Financial Performance

\$ '000	2011/12 FY Actual	2011/12 FY Budget	2010/11 FY Actual
Income	8,415	11,195	8,927
Expenditure	7,233	10,760	6,443
Operating Surplus/(Deficit)	1,181	623	2,483
Tax Expenses*	232	188	499
Subvention Payments	317	-	151
Valuation Adjustment	-	-	1,696
Net Surplus/(Deficit) after tax	632	435	137

\* Adjusted for non-operational items

### Statement of Financial Position

\$ '000	2011/12 FY Actual	2011/12 FY Budget	2010/11 FY Actual
Current assets	5,012	1,414	3,811
Non current assets	5,669	7,727	5,147
Current liabilities	1,420	1,000	1,420
Non current liabilities	740	745	522
Equity	7,639	7,396	7,017
Current ratio	2.18	1.41	2.68
Equity ratio	71.5%	80.9%	78.3%

## Statement of Cash Flows

\$ '000	2011/12 FY Actual	2011/12 FY Budget	2010/11 FY Actual
Operating	576	1,829	2,638
Investing	(1,025)	(2,546)	(2,408)
Financing	(10)	(39)	0
Net	(459)	(756)	230
Closing balance	677	314	1,135

A review of the Company's financial statements highlights the following points:

- During the financial year the Company paid a dividend to Council of \$10k and made a subvention payment of \$317k to Council.
- Cable Car income increased 3% from \$1.95m in 2011 to \$2.01m in 2012.
- The operating surplus of \$1.2m benefitted from extraordinary income of \$660k received to fund the purchase of new tower maintenance wagons.
- Compared to budget, both income and expenditure are lower as a result of third-party projects that had been expected during the year being deferred or cancelled.
- The company has no borrowings and is in a sound financial position, having \$2.2m in cash and short term investments to assist with the funding of the Kelburn Terminal upgrade.

## Operations

### Cable Car

- The annual safety assessment of the cable car was carried out in February 2012. The subsequent report raised a small number of administrative conditions and recommendations. Following the company's response, full clearance was given and NZTA noted that it was satisfied that WCCL complied with the standards required.
- The project to upgrade the Kelburn Terminus during 2011/12 was deferred until the 2012/13 low season.
- The introduction of an electric shuttle bus between the Kelburn Terminus and the lower Botanic Garden was delayed while registration matters were finalised. It is now planned to commence operations in 2012/13.

### Trolley Bus Network

- The programme of planned work continued in accordance with principles of the 10 year Asset Management Plan.
- The predominant work undertaken during the year ended 2012 was
  - Replacement of the trolley bus collector wire along the Seatoun route

- Replacement of 100 poles, 11 special aerial switches (for changing buses to a different track) and 5 roadside DC feeder pillars

## Key Performance Indicators (KPI)

### Passenger Numbers per Quarter:

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
Target passenger numbers on the Cable Car	248,800	289,100	355,500	215,600	1,109,000
Actual passenger numbers on the Cable Car	221,962	289,417	348,480	207,775	1,067,634
Actual compared to Target	-10.8%	0.1%	-2.0%	-3.6%	-3.7%

### Residents Satisfaction Survey:

Question	Target	Actual
Have you used the Cable Car in the last 12 months?	30%	49%
How do you rate the standard and operational reliability of the Cable Car? (Good/Very Good)	95%	94%

### Cable Car Service Performance

2010/11 Performance Indicator	Target	Result
Cable car vehicles, track, tunnels, bridges, buildings and equipment are maintained to required safety standards	Approval by NZTA	Achieved
Cable car service reliability	Greater than 99%	Achieved
Cable car service has Qualmark endorsement to confirm it meets established tourism standards	Qualmark endorsement obtained	Application being made in 2012/13

### Trolley Bus Overhead Network Performance Measures

2010/11 Performance Indicator	Target	Result
Inspection, maintenance and repair of trolley bus overhead network are carried out to provide appropriate levels of reliability	No network failures due to inadequate maintenance	None from inadequate maintenance activities. Failures still occur due to backlog of maintenance not yet remedied, but rate is decreasing
Trolley bus overhead network asset management plan prepared	Draft annual AMP 2012/13 prepared by 31 August 2011	Achieved
Trolley bus network poles identified as	Pole replacement	Achieved

requiring urgent and critical replacement are programmed	programme completed	
Overhead components replacement or repairs	Replacement or repairs completed in accordance with programme	Programme amended to facilitate replacement of poles for 3 <sup>rd</sup> party contract. Achieved amended programme.
WCCL pole occupants have formal contracts and appropriate pole user charges are being paid	All recent users have current contracts.  All 'existing works' users have signed contracts by 30 June 2012	Pole occupants without existing user rights have paid rental charges in accordance with contracts; Occupants claiming existing user rights do not yet have contracts due to unresolved differences in legislation interpretation
GWRC funding agreement compliance	Nil breaches by WCCL	Achieved
Performance requirements in GWRC funding agreement	Payments made in accordance with agreed funding levels and no complaints from GWRC	All payments due have been received.  Achieved

#### **All of Cable Car Performance Activities**

<b>2010/11 Performance Indicator</b>	<b>Target</b>	<b>Result</b>
Compliance with appropriate regulations and statutes	No adverse comments	Achieved
Budgetary requirements approved by the WCCL Board are met	Within 10% or Board approved variance	All variances exceeding 10% of budget have been approved by the Board.
Board delegations are adhered to	Board and management approvals of commitments and expenditure are in accordance with policy	The principles of the current delegation have been adhered to and the Board have approved the position adopted. The Company is currently in the process of updating delegations to reflect the current job roles/titles within the business.
Company risks and vulnerabilities are maintained at an acceptable limit and identified in the Risk and Vulnerability register	No risks and vulnerabilities not identified (and where possible mitigated to an acceptable limit)	Achieved
Contribute to review of back office functions	Participation assessed to be positive	Positive participation achieved, but no change being made to processing platforms.

## **Council Strategies**

WCCL contributes to a number of Council strategies, with the primary ones being:

**People-centred City:** The cable car and the overhead bus network are part of the city's transport infrastructure and link its residents and visitors to the city's activities and attractions.

**Connected city:** The cable car is a significant link in the transport infrastructure of Wellington and contributes to the Council's aim of a well-planned, efficient transport system allowing for the easy movement of people and goods to and through the city.

WCCL's maintenance of the overhead trolley bus network is an integral part of the city's transport network, assisting in its aims of being better connected and more sustainable.

**Dynamic Central City:** The Company plays a material role in the city's economic development in many ways, including as an employer, as a transport provider, and as a facilitator for visitors to get to a number of key visitor attractions.

## **Governance**

Board of Directors at 30 June 2012

Mr. R Drummond (Chairman)

Ms N Crauford

Mr. J Ward (Resigned 31 December 2011)

Mr. A Briscoe (Appointed 1 January 2012)

## **Key issues going forward**

### **1. Charges for access and use of trolley bus poles**

WCCL is working to increase its revenue from the investment in trolley bus poles, which are also used by telecommunications and electricity utilities to support their networks.

### **2. The trolley bus network's future beyond 2017**

The funding agreement between WCCL and Wellington Regional Council was for an initial term to 30 June 2012, with a provision to renew until 30 June 2017. The agreement has been extended to 30 June 2017.

The Trolley Bus Technical Review Group, comprising WCCL, Wellington Electricity Lines Ltd, and Wellington City Transport Ltd (trading as GO Wellington) met with Wellington Regional Council on two occasions to begin the process for review of trolley bus passenger services beyond 20 June 2017. The company notes that "little progress has been made" but also notes that Regional Council has made provision in its LTP 2012 for the review to be undertaken in the 2013/14 year.

### **3. Passenger numbers**

Passenger numbers increased slightly in 2011/12 but were marginally behind budget for the year. However, at over 1.1 million passenger trips this is not cause for concern and will continue to be monitored. Officers note that WCCL has participated in a more coordinated marketing of the cable car with other Wellington attractions.

#### **4. Kelburn terminal redevelopment**

The project construction will be undertaken during the period April to August 2013, to avoid disruption during the tourist and visitor season.

#### **5. Business Continuity Plan**

WCCL does not have a formal business recovery plan, and intends to document one formally, which will be done by 30 September 2012. However, it does have a disaster recovery plan, which focuses on IT systems and data recovery.

#### **3. Conclusion**

The company has returned another sound trading performance in 2012. The company's sound profitability has seen it build up cash and short term investments to \$2.2m (30 June 2012) in preparation for the redevelopment of the Kelburn terminus in the current financial year. The key strategic issue facing the company in coming years is its funding arrangement with Wellington Regional Council for its management of the trolley bus overhead network (which is due to terminate 30 June 2017). This is a significant part of the company's operations. However, discussions on its future are underway and the outcomes will be known well ahead of June 2017.

# WELLINGTON MUSEUMS TRUST

## REVIEW OF 2011/12 ANNUAL REPORT

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### 1. Purpose of report

The Wellington Museums Trust (the Trust) presents its Annual Report for 2011/12 including audited financial statements and performance measures.

### 2. Highlights for the year

- Total visitor numbers for the year were 607,613, down (1%) compared to the budget target of 612,550. Compared to the previous year visitor numbers (653,344) 2011-12 is down by 45,731 (7%). The visitor numbers above for 2011-12 include Carter Observatory for the second time, which had 50,976 visitors, representing a 10% increase on 2010-11.
- The Museum of Wellington City & Sea, the Cable Car Museum and the Colonial Cottage Museum enjoyed strong visitation with the three museums achieving 343,975 visitors as a whole, exceeding their combined annual target by 22,000.
- The Trust presented 29 temporary exhibitions and 3 new permanent exhibitions and premiered two new theatre productions. Across all institutions the Trust presented 114 events and 31,912 students participated in education programmes.
- Visitor satisfaction levels have increased to an average of 94.5%.
- Carter Observatory welcomed its 100,000th visitor since re-opening and celebrated the 70th anniversary. Carter Observatory's permanent exhibition was completed with the opening of the Pickering Gallery and the Tūhura Module, interactive space for young people.
- The Museum of Wellington City & Sea welcomed its one millionth visitor and presented the exhibition Death and Diversity, which attracted new diverse audiences. The Museum's RWC 2011 exhibition Hard on the Heels, featuring the rugby photography of Peter Bush, was a highlight for many rugby fans visiting Wellington.
- Capital E was voted Best Fun for Kids in the Capital Times Best of Wellington Poll 2011 for the first time.
- City Gallery's programme included the leading edge Prospect: New Zealand Art Now which opened to much debate and critical acclaim; The Obstinate Object: Contemporary New Zealand Sculpture; and Oceania in partnership with the Museum of New Zealand Te Papa Tongarewa for the REAL New Zealand Festival.
- The Trust's financial performance was in line with budget. After allowing for depreciation of \$376,564 the Trust recorded a deficit of \$94,000 compared to a budgeted deficit of \$95,000, and prior year deficit of \$266,000.



## Statement of Financial Performance

A summary of the PWT financial statements is given below.

### Statement of Comprehensive Income

\$ '000	2011/12 FY Actual	2011/12 FY Budget*	2010/11 FY Actual
Income	10,939	10,015	10,887
Expenditure	11,034	10,110	11,238
Depreciation & amortisation	379	364	377
Operating Surplus/(Deficit)	284	270	111
Net Surplus/(Deficit)	(94)	(95)	(266)

### Statement of Financial Position

\$ '000	2011/12 FY Actual	2011/12 FY Budget*	2010/11 FY Actual
Current assets	1,514	567	1,315
Non current assets	4,342	4,377	4,495
Current liabilities	1,778	900	1,621
Non current liabilities	101	137	118
Equity	3,977	3,907	4,071
Current ratio	0.85	0.63	0.81
Equity ratio	67.9%	79%	70.1%

### Statement of Cash Flows

\$ '000	2011/12 FY Actual	2011/12 FY Budget*	2010/11 FY Actual
Operating	428	258	175
Investing	(226)	(200)	(191)
Financing	0	0	(8)
Net	203	58	(24)
Closing balance	540	199	338

\* excludes Carter Observatory which was presented separately in the 2011-12 SOI.

A review of the Trust's financial statements highlights the following points:

- The financial year ended 30 June 2012 was a relatively steady year in terms of revenue and expenditure, although visitor numbers were down by 45,731 or 7% on 2011.
- Total operating revenue was \$10.9m (2011: \$10.9m) and operating expenses \$11.0m (2011: \$11.2m).
- In 2012, operating revenues and operating expenses represented approximately \$18 per visitor, up slightly from around \$17 per visitor in 2011.
- In 2012, the Trust produced an operating cash flow surplus of \$428k (2011: \$175k), leaving the Trust with a net increase in cash held of \$203k (2011: decrease of \$24k).
- At year end 2012, the Trust had built up a reasonable cash reserve of \$540K (2011: \$338k).

## Key Performance Indicators (KPI)

The KPI results are as follows:

City Outcomes	Actual	Target	Status
<b>Visitation:</b> City Gallery Wellington	115,363	143,000	Not achieved
Capital E	95,009	93,500	Exceeded
Carter Observatory	50,975	52,300	Not achieved
Museum of Wellington	92,700	102,894	Not achieved
Colonial Cottage Museum	2,736	2,081	Exceeded
Cable Car Museum	238,345	226,888	Exceeded
NZ Cricket Museum	2,290	2,081	Exceeded
Quality of Visit	Museum of Wellington 98% City Gallery Wellington 86% Cable Car Museum 92% Colonial Cottage 100% Capital E 97 % Carter Observatory 94%	90% of visitors rate their experience as good or very good	Achieved
Repeat Visitation	Museum of Wellington 36% City Gallery Wellington 72% Cable Car Museum 27% Colonial Cottage 12% Capital E 46 % Carter Observatory 25%	An average of 27% repeat visitation is achieved	Achieved
City residents' awareness	Museum of Wellington 89% City Gallery Wellington 79% Cable Car Museum 90% Colonial Cottage 43% Capital E 87 % Carter Observatory 93%	Museum of Wellington 90% City Gallery Wellington 88% Cable Car Museum 90% Colonial Cottage 55% Capital E 85% Carter Observatory 93%	Not ach. Not ach. Achieved Not ach. Achieved Achieved
% of items aligned with Collections Policy	75%	75% of Collections are aligned with the Collection policy	Achieved
Council subsidy per visit (including rental grant)	<b>\$13.82</b>	<b>\$13.81</b>	Not Achieved
	City Gallery Wellington 16.79 Museums Wellington 4.93 Capital E 12.42	City Gallery Wellington 13.88 Museums Wellington 5.55 Capital E 11.98	

Non Council sourced revenue (excluding Carter)	<b>2,437,840</b>		<b>2,304,000</b>	Exceeded
	City Gallery Wellington	435,663	City Gallery Wellington	487,000
	Museums Wellington	717,448	Museums Wellington	581,000
	Capital E	1,064,833	Capital E	1,021,000
Spend by visit (Excluding Carter)	<b>\$2.81</b>		<b>\$2.64</b>	Exceeded
	City Gallery Wellington	1.49	City Gallery Wellington	2.41
	Museums Wellington	2.37	Museums Wellington	1.40
	Capital E	4.32	Capital E	5.72
Carter Observatory –Council subsidy per visit (including rental grant)	\$5.89		\$5.74	Not achieved
Carter Observatory- Non Council sourced revenue	640,866		733,000	Not achieved
Carter Observatory –Spend per visit	\$10.39		\$12.45	Not Achieved

- The visitor number KPI for the City Gallery was not achieved with total visitor numbers of 115,363, which were 19% below the target of 143,000. and 12% less than in the previous year. The Trust attributes this to lower that budget visitors to the Oceania exhibition, developed in partnership with Museum of New Zealand Te Papa Tongarewa during the RWC 2011 as part of the REAL New Zealand Festival
- Levels of visitor satisfaction remain high across the institutions, and an improvement on last year's results.
- The Council subsidy per visit is \$13.82 against budgeted \$13.81. The subsidy has increased by 13% compared to \$12 in 2010/11. Carter Observatory subsidy has decreased from \$10.21 in 2010/11 to \$5.89. This result is slightly below target of \$5.74.
- The Trust has exceeded its target relating to non-Council revenue by ~5%.

## Operations

- The Trust had a busy year presenting a varied programme of exhibitions, education and public programmes to more than 600,000 visitors. The Trust institutions participated in the REAL New Zealand Festival for RWC 2011, welcomed record cruise ship passengers and provided visual arts and cultural experiences as part of the biennial New Zealand International Arts Festival.
- Carter Observatory added new permanent visitor experiences the Pickering Gallery, Tūhura Module and Library. New multimedia shows were introduced in the Theatre: Māui and the Legend of the Sun; and in the Planetarium: Dawn of the Space Age, and Wildest Weather in the Solar

System. Carter hosted around 7,000 students and their educators. Matariki celebrations continued to develop as a signature event. Over 500 tourism trade partners and media have toured the Carter Observatory this year and over 20 new tourism trade partners from international markets were established.

- Capital E offered a range of programmes including: Summer Scorcher, A Curious Wonderland, The Big Halloween, The Great Scavenger Hunt and Carnival of Creativity. School holiday workshops Game On in SoundHouse™ New Zealand and a Back To The Future programme in the OnTV Studio were fully subscribed. The National Theatre for Children completed a successful national tour of two productions, Songs of the Sea and Hear to See, achieving the audience target of 50,000 by the end of 2011.
- In partnership with Te Papa, City Gallery presented Oceania exhibition in August 2011. City Gallery ran a busy programme of exhibitions and public programmes, including Prospect: New Zealand Art Now, The Obstinate Object and Hylozoic Series: Vesica. This year over 5,200 students participated in various workshops and tours that were offered at the gallery.
- Museums Wellington had a successful year, with audiences above budget and a range of exhibitions including Dancing Delights which celebrated dance in Wellington during WW2, Hard on the Heels featuring Peter Bush's rugby photography, and Death and Diversity that was developed in partnership with the Office of Ethnic Affairs. 8,090 students attended education programmes at Museums Wellington, exceeding the target for the year.
- The main focus of the collections team and volunteers this year was to prepare the collections for their removal from the collection store to enable refurbishment.

### **Council Strategies**

Wellington Museums Trust contributed to a number of Council strategies during 2011/12, for example:

#### ***People Centred City***

- Provided opportunities for Wellington's diverse communities to share their experiences, stories and culture in their venues and through creative technology offerings.
- Provided a range of Education Programmes that draw students downtown and engage them with the history of the city
- Contributed to Wellingtonians' sense of identity and place by providing sites where they can be inspired through art, or engaged in creative activities, or immersed in heritage, or discover the wonders of the universe.
- We are a significant employer that provides employment opportunities for artists and the creative community.

### ***Connected City***

- Engaged local, regional, national and international audiences in thought-provoking experiences that entertain and ignite imaginations.
- Used regional, national and international networks to bring visitor experiences to Wellington.
- We are committed to collaboration as an essential underpinning of financial and organisational sustainability.

### ***Dynamic Central City***

- Contributed to Wellington's quality of life and to its cultural and events brands.
- The trust's art gallery, museums, observatory, and cultural arts centre for young people in central city locations provided essential lifestyle choices to create and sustain a vibrant and creative city.
- The Trust's institutions tell Wellington's story through art and museum exhibitions, planetarium shows, performances and by caring for Wellington's heritage collections.
- Made significant contribution to Wellington's attractiveness as a place to visit and live, providing experiences to more than 600,000 visitors.

### ***Eco City***

- Committed to operating in an environmentally sustainable way by ensuring that all aspects of its business have the least harmful effect on the environment.
- Through its public education role the Trust provides opportunities for communities to learn about and discuss important issues including climate change and the development of renewable energies.

### **Governance**

The Trustees during the year were:

Ray Ahipene-Mercer (Councillor) (from 1 November 2010)

Quentin Hay (Chair from 1 January 2011)

Alick Shaw

Philip Shewell

Jo Bransgrove

Jackie Lloyd

### **Key issues and activities going forward**

#### **Museum of Wellington**

The Museum of Wellington City & Sea completed a master plan for the redevelopment of the visitor experience over a period of five to seven years. At completion, the Museum will be a revitalized visitor experience over four levels of the Bond Store.

Stage one of the redevelopment will be completed in 2012-13 and includes an exhibition with the working title *TestBed*, which will promote the redevelopment,

trial new ideas and technology and seek visitor input into the redevelopment plan.

Plimmer's Ark collection will have to be relocated to a dry storage in time for the Town Hall replacement venue project. The new storage has not been found yet.

### **Carter Observatory**

The term of the Trust's agreement with Council for the management of Carter Observatory expired on 30 June 2012 and marked the end of the first two full years of operation for Carter following extensive refurbishment. Since reopening in March 2010 Carter's annual visitation has been close to the Trust's revised target and has exceeded all previous annual totals when Carter was under the control of central Government. However, revenue targets were not achieved due in part to a lower than projected revenue yield per visitor. This has resulted in deficits in 2010-11 and 2011-12. The Trust has already implemented some organisational changes to address this issue.

Council is in the process of renewing the agreement with the Trust. The Trust anticipates that Carter will breakeven in 2012-13.

### **Financial**

The Trust has committed to achieving a breakeven position after funding depreciation in 2012/13 as requested by Council. The Trust is on track to achieve this. The Trust has indicated that an ongoing challenge to achieving break-even is its ability to absorb cost increases, without affecting the programme is increasingly difficult to achieve.

### **Capital E**

The accommodation feasibility study will be undertaken in 2012/13 and it will include a review of options such as refurbishing the Capital E building through to moving to rental accommodation elsewhere in the CBD.

## **3. Conclusion**

After allowing for depreciation of \$376,564, the Trust had a successful year, reporting a deficit of \$94,000 which was in line with budget.

The Trust delivered a range of exhibitions and events to an audience of 607,613 visitors. Visitor satisfaction levels have increased to an average of 94.5%, and the profile of our institutions amongst Wellington's residents increased overall.

The Trust is on track to achieve a breakeven position in 2012/13 and fully fund depreciation as agreed with Council. However, its ability to absorb cost increases without affecting the programme is increasingly difficult to achieve.

# POSITIVELY WELLINGTON VENUES

## REVIEW OF 2011/12 ANNUAL REPORT

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### 1. Purpose of report

Positively Wellington Venues (PWV or Venues) presents its first Annual Report for 2011/12, including financial statements and performance measures.

### 2. Highlights for the year

- The St James Theatre Charitable Trust was merged successfully into PWV operations on 1 July 2011.
- A new management team established with staff successfully transitioned into the new operating structure.
- An Australian Business Development executive was established in partnership with Positively Wellington Tourism and Te Papa, with strong new-business leads now in place
- “Grow” business highlights for the year included: *Hands Up* trade expo for Christchurch (July 2011); The Society of American Travel Writers (Nov 2011); Surveying and Spatial Sciences Institute Conference (Jan 2012)
- “Show” business highlights for the year included: *Soap* (Aug 2011); *WOW* (Sept 2011); *Meatloaf* (Oct 2011); *Cold Chisel* (Dec 2011); *Eddie Izzard* (Jan 2012); *NZ International Festival of the Arts* (March 2012); *One Direction* (Apr 2012); *Flight of the Conchords* (Jun 2012); *Sir Ian McKellen* (June 2012)
- PWV recorded an 11.8% growth in ticket sales on the previous year with 25 sell-out shows
- Achieved ISO certification across all venues for environment and quality

### Statement of Financial Performance

A summary of the Venues Project financial statements is given below.

#### Statement of Comprehensive Income

\$ '000	2011/12 FY Actual	2011/12 FY Budget
Income	14,811	15,834
Direct event costs and wages	8,618	9,652
Expenditure	6,651	6,689
Operating Surplus / (Deficit)	(458)	(507)
Transition and one- off costs	811	--
Net surplus/(deficit)	(1,269)	(507)

## Statement of Financial Position

\$ '000	2011/12 FY Actual	2011/12 FY Budget
Current assets	2,649	2,645
Non current assets	1,056	879
Current liabilities	3,419	2,158
Current year result	(1,269)	(507)
Equity	1,556	1,366
Current ratio	.77	1.2
Equity ratio	42%	39%

## Statement of Cash Flows

\$ '000	2011/12 FY Actual	2011/12 FY Budget	2010/11 Actual
Net cash flow	347	445	388
Closing balance	735	445	388

*Note: the Company's financial statements have been prepared using NZ IFRS.*

A review of the financial statements of the Venues Project highlights the following points:

- Operating revenue of \$14.8m was \$1m (7%) below the budget of \$15.8m. This was in part due to revenue from both Rugby World Cup 2011 and the NZ International Festival of the Arts not meeting budget. However, while revenue was down, overall gross profit was maintained in line with budget.
- Operating expenditure of \$6.651m was in line with budget, and the gross margin improved from 39% to 42%.
- After accounting for transition and one-off costs of \$811k, the Project made an operating deficit of (\$1.27m) compared to a budget deficit of (\$507k).

### Transition and one-off costs (\$811k):

- In Q2, PWV reported \$563k of transition and one-off costs that they had not budgeted in staff transitioning and restructuring, recruitment, Town Hall replacement venue costs, health and safety and design fees for the office transition.
- During Q4, PWV incurred further unbudgeted costs of \$248k, including:
  - \$198k Town Hall replacement venue business case costs
  - \$22k prior year increase in TSB management fee
  - \$49k taxation on accrued annual leave

## Key Performance Indicators (KPI)

2011/12 was a transition year for Venues during which they worked to establish baseline reporting measures and refined KPIs. These measures are reflected in the 2012/13 Statement of Intent. In general, the company made good progress against most of its project milestones through the year.



<b>Key Performance Indicator</b>	<b>Outcome</b>
<b>Business Viability</b>	
<ul style="list-style-type: none"> <li>On budget (or better) financial performance across bottom line revenue and expenditure targets</li> </ul>	Achieved for expenditure targets Not achieved for revenue targets
<ul style="list-style-type: none"> <li>New Management and organisation structure in place by Q2</li> </ul>	Achieved
<ul style="list-style-type: none"> <li>Service Level Agreement in place for WCC shared services</li> </ul>	Mostly Achieved
<b>Venue Utilisation</b>	
<ul style="list-style-type: none"> <li>5% increase in hired days over previous year</li> </ul>	Achieved
<ul style="list-style-type: none"> <li>Achieve budgeted number of performances and performance revenue</li> </ul>	Not achieved
<ul style="list-style-type: none"> <li>Achieve budgeted convention and event hires and revenue</li> </ul>	Not achieved
<ul style="list-style-type: none"> <li>Maintain an appropriate mix of commercial and community hires</li> </ul>	Achieved
<ul style="list-style-type: none"> <li>Uptake/use of Venues Subsidy</li> </ul>	Achieved
<ul style="list-style-type: none"> <li>New Performing Arts Foundation Trust established to support community access</li> </ul>	Achieved
<b>Duty of Care</b>	
<ul style="list-style-type: none"> <li>Pan-venue asset management plans in place for all operating assets</li> </ul>	Commenced. Now due mid 2012/13
<ul style="list-style-type: none"> <li>All health and safety requirements met</li> </ul>	Achieved
<ul style="list-style-type: none"> <li>New initiatives introduced to give greater visibility to reducing the company's environmental foot print</li> </ul>	Achieved
<b>Marketing Edge</b>	
<ul style="list-style-type: none"> <li>Successful launch of "Positively wellington Venues" brand and market positioning</li> </ul>	Achieved
<ul style="list-style-type: none"> <li>New business pipeline shows strong forward bookings</li> </ul>	Not reported
<ul style="list-style-type: none"> <li>New business wins and value of relationship business</li> </ul>	Not reported
<b>Outstanding Experiences</b>	
<ul style="list-style-type: none"> <li>Maintain/Increase audience and hirer satisfaction relative to past trends</li> </ul>	Achieved
<b>Performance Partnerships</b>	
<ul style="list-style-type: none"> <li>At least 3 successful joint marketing ventures with PWT and other partners</li> </ul>	Achieved
<ul style="list-style-type: none"> <li>Joint ventures and 'own shows' are successfully promoted and make a positive contribution to the bottom line</li> </ul>	Achieved
<b>Venue Development</b>	
<ul style="list-style-type: none"> <li>Contingency plan in place for seismic strengthening of the Town Hall</li> </ul>	Almost achieved

## **Council Strategies**

Positively Wellington Venues Ltd contributed to a number of Council strategies during 2011/12, primarily:

### **People-centred City:**

PWV is working to ensure that their programming is reflective of the diversity of Wellington's various communities and contributing to the City's business, cultural vibrancy and competitiveness as a visitor destination. Throughout the year,

performances and events hosted in PWV venues have covered a broad range of cultural styles and catered to people of all ages.

### **Connected City:**

PWV is making the most of the opportunities that today's technology offers to grow audiences and community access (e.g. video streaming of NZSO performances).

### **Dynamic Central City:**

PWV is striving to win and grow more commercial business, community and show business events from domestic, trans-Tasman and international sources to support Wellington as a place of creativity, exploration and innovation. Working closely with PWT and other tourism and events partners like MED, Tourism New Zealand, the Convention Bureau and Te Papa, PWV is helping grow the City's share of the business and cultural tourism markets.

### **Governance**

The directors during the year were:

Chris Parkin (Chair)

Cr Ngaire Best

Cr. Paul Eagle

Mike Egan (from 1 January 2012)

Sam Knowles

Linda Rieper

Samantha Sharif (from 1 January 2012)

Stephen Wittington (retired December 2011)

Kim Wicksteed (retired December 2011)

Lorraine Witten (from 1 January 2012)

### **Key issues and activities going forward**

#### **Town Hall closure**

At their meeting on 21 June 2012, SPC recommended to Council that \$4 million of capital expenditure for the modification of the TSB/Shed 6 be included in the Long Term Plan in 2012/13 and that this funding be contingent on formal confirmation that no earthquake issues arise with respect to TSB and Shed 6 from the proposed works. The testing has been completed and the results will be presented to Council in October.

Once a decision is reached to address earthquake resilience issues around the Shed 6 wharf, PWV will provide clarity on contingency measures to be put in place while the Town Hall is out of commission for earthquake strengthening work, and how this will impact on the company's 'business as usual' operations.

#### **Financial and operational KPIs**

Once certainty is achieved over PWV's operations during the Town Hall closure, the company will confirm their financial and operational KPIs for 2012/13. PWV will continue to develop a suite of KPIs to support and measure the company's strategic outcomes moving forward.

### **Community Access**

PWV has agreed to share details of the Performing Arts Foundation (PAF) Trust Deed and its grants and subsidies criteria with Council officers to ensure that there is very good strategic alignment of the Venues subsidy, sponsorships and PAF. Moreover, PWV and City Grants will share details of grants approved to keep track of the financial level of community support and access that is being achieved.

### **3. Conclusion**

In its first year of trading, Positively Wellington Venues has made steady progress throughout 2011/12 in developing its operating platform and signalling its business intentions for the future. At the same time, the company has also faced some significant challenges, especially around integrating the St James Theatre Trust business and developing the business case for a temporary venue to replace the Town Hall during seismic strengthening work. The company still faces uncertainty around a replacement venue for the Town Hall that, when confirmed, could impact on their operating expectations for 2012/13.

Venues did not meet its revenue or event projections for 2011/12 in part due to optimistic budgeting based on venue booking and performance data prior to the establishment of the company. Unbudgeted transactions cost of \$811k were incurred, reflecting additional costs of developing a business case for the temporary replacement venue and increases in the TSB management fee. These costs have been identified separately as they reflect costs which are largely non-recurring, related to the establishment of the entity to give a picture of the underlying performance of PWV.

This year has provided PWV with baseline performance data against which relevant performance measures can be set and future progress assessed. With a new senior management team in place, PWV will be set in 2012/13 to market the venues aggressively in order to achieve their growth targets for revenue and venue utilisation, while continuing to work with the Council to ensure that community groups are able to access the facilities.

# Wellington Waterfront Limited

## REVIEW OF 2011/12 ANNUAL REPORT

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### 1. Purpose of report

Wellington Waterfront Limited (WWL) presents its Annual Report for 2011/12, including audited financial statements and unaudited performance measures.

### 2. Highlights for the year

- WWL (originally Lambton Harbour Management Ltd) was incorporated in September 1987. 2012 marks 25 years of Wellington's waterfront development.
- Phase 2 of the wharf re-piling project commenced during the year.
- Construction began on the redevelopment of the Overseas Passenger Terminal.
- The Waterfront played an important role in festivities for the 2011 Rugby World Cup by accommodating the fan zone in the Odlins Plaza space.
- In October 2011, the Royal New Zealand Navy celebrated its 70th anniversary with 11 of the Navy's 12 ships berthed around the waterfront.
- The highest visitor numbers on the waterfront for a single day were recorded on Saturday 1 October 2011 as a result of crowds attending the Royal NZ Navy and RWC2011 celebrations.
- A temporary ice skating rink was erected on Queen's wharf for 3 weeks in October that attracted over 20,000 skaters.
- Toilet facilities were upgraded across the waterfront, including the construction of the new designer toilets in the Kumutoto precinct.
- In April 2012 the Environment Court announced their decision regarding District Plan variation 11. Although this has placed some clear restrictions on the development of Sites 8, 9 and 10, it has given greater certainty over the development potential for the Kumutoto precinct.

### Statement of Financial Performance

A summary of the Waterfront Project financial statements is given below.

#### Statement of Comprehensive Income

\$ '000	2011/12 FY Actual	2011/12 FY Budget	2010/11 Actual
Income	10,214	4,433	4,718
Expenditure	12,228	7,812	11,214
Operating Surplus / (Deficit)	(2,037)	(3,379)	(6,530)
Revaluation Gain / (Loss)	(11,059)	-	77,261
Net surplus / (deficit) <sup>1</sup>	(13,096)	(3,379)	70,731

## Statement of Financial Position

\$ '000	2011/12 FY Actual	2011/12 FY Budget	2010/11 Actual
Current assets	2,097	8,780	9,697
Non current assets	234,716	168,102	235,011
Current liabilities	2,009	1,193	1,201
Non current liabilities	16,375	15,881	13,057
Equity	218,429	159,808	230,450
Current ratio	1 : 1	7 : 1	8 : 1
Equity ratio	92%	90%	94%

## Statement of Cash Flows

\$ '000	2011/12 FY Actual	2011/12 FY Budget	2010/11 Actual
Net cashflow	931	931	413
Closing balance	191	525	931

*Note: the Company's financial statements have been prepared using NZ IFRS.*

A review of the financial statements of the Waterfront Project highlights the following points:

- The Project made an operating deficit of (\$2.04m) compared to a budget deficit of (\$3.4m) and a prior year operating deficit of (\$6.5m).
- The overall net deficit was (\$13.1m) primarily as a result of the recognition of assets not previously recognised in the financial reporting. A loss on revaluation of \$11.1m was attributed to the current year's result and a \$77.5m gain applied retrospectively to the previous year.
- Operating revenue of \$10.2m exceeded the budget of \$4.4m by 132% as a result of the recognition of profit gained by entering in to a long term lease on commercial property of \$5.3m which went unconditional in December 2011.
- Operating expenditure of \$12.2m was \$4.4m over budget due primarily to additional depreciation of \$2.7m on assets not previously recorded (as noted above), and an unrealised revaluation loss on investment and development properties of \$1.9m.
- Capital expenditure was \$4.3m for the year against a budget of \$6.1m. Key projects included the completion of the Kumutoto public toilets and temporary buildings for marina service businesses near the Overseas Passenger Terminal. The main reason for the favourable variance is \$1.6m of wharf pile maintenance work being carried over to 2012/13.
- Because the sale of a long-term lease did not proceed this year, commercial proceeds from development projects were \$0.
- The total of the WCC loan is \$15m at year end, up from \$11m the previous year.

## Key Performance Indicators (KPI)

The company performed well during the year, making good progress against its project milestones.

Key Performance Indicator	Outcome
<ul style="list-style-type: none"> <li>Advance work on the third stage of the wharf piles restoration programme.</li> </ul>	Completed.
<ul style="list-style-type: none"> <li>Facilitate the commencement of the construction on the Overseas Passenger Terminal (subject to confirmation of Willis Bond contract) (Quarter 2).</li> </ul>	Completed.
<ul style="list-style-type: none"> <li>Plans for site 10 Kumototo advanced in line with funding expectations.</li> </ul>	Revising plans in light of Environment Court decision.
<ul style="list-style-type: none"> <li>Helicopter Building on Outer –T-Queen’s Wharf (Quarter 4), subject to gaining all necessary approvals.</li> </ul>	Project terminated due to cost.
<ul style="list-style-type: none"> <li>Preliminary planning with Te Papa for the Transition Building, Waitangi Park (Quarter 4), subject to the result of the Waterfront Framework review and Council approval.</li> </ul>	Completed
<ul style="list-style-type: none"> <li>Asset Management Plan implementation.</li> </ul>	Completed
<ul style="list-style-type: none"> <li>Disaster recovery and business continuity plans completed and implemented (Quarter 4).</li> </ul>	Completed
	<b>Actual</b>
Capital expenditure (\$6.1million)	\$4.342m Variance is due mainly to \$1.6m of wharf pile maintenance work being carried forward to 2012/13

## Council Strategies

Wellington Waterfront Ltd contributed to a number of Council strategies during 2011/12, primarily:

### People-centred city:

WWL continues to develop Wellington’s waterfront as the ‘jewel in crown’ of the central city. The Waterfront provides Wellingtonians with a strong sense of identity and place, and continues to receive satisfaction and awareness ratings of over 93% in the annual rate-payer survey. This year the company took the opportunity to upgrade the toilet facilities around Queen’s Wharf and Frank Kitts Park, and have improved recycling facilities across the waterfront.

### Connected City:

Wellington's waterfront is a place that connects people through a variety of commercial recreational, and cultural activities. Working with the Council’s Events team, other CCOs and commercial contractors, WWL maintains the infrastructure on the waterfront to host some of Wellington’s largest events. In 2012, the waterfront hosted the Rugby World Cup 2011 fanzone festivities, the 70th Anniversary celebrations for the NZ Navy, and events that were part of the 2012 International Festival of the Arts. In addition, the temporary ice skating rink that was set up under the sails on Queens Wharf in October drew over 20,000 people.

## **Governance**

The directors during the year were:

Robert Gray (Chair)  
Jane Black  
Justin Lester (Councillor)  
Derek McCorkindale

## **Key issues and activities going forward**

### **Overseas Passenger Terminal**

Construction has begun on the Overseas Passenger Terminal. During 2012/13 WWL will complete the public space urban design proposal. The entire project is on track to be completed in 2014/15.

### **Site 10 Kumutoto**

Following the completion and agreement of a revised North Queens Wharf design brief, proposals will be sought for the development of these sites.

### **Wharf pile and general maintenance programmes**

Phase 3 of the wharf pile refurbishment programme will be completed during 2012/13. Phase 4 is scheduled for 2014/15.

Having completed its Asset Management Plan during 2010/11, WWL will continue to rollout planned and reactive maintenance requirements prescribed in the AMP.

### **Financial**

WWL expects to enter into a new lease for Shed 5 in 2012/13 and will continue to look to other opportunities to maximise rental income streams. There are no capital returns anticipated during 2012/13.

As Council agreed in the three-year Waterfront Development Plan, WWL's loan balance will exceed \$15m in 2012/13 ahead of commercial proceeds being realised on the redevelopment of the Overseas Passenger Terminal and other projects in 2013/14.

## **3. Conclusion**

WWL achieved several milestones this year with the highest visitor numbers recorded on the waterfront during October 2011 for the Rugby World Cup festivities and the Royal NZ Navy's 75<sup>th</sup> anniversary celebrations, and the start of construction towards the redevelopment of the Overseas Passenger Terminal. However, the sale of a long term lease for Shed 5 was unsuccessful which resulted in the company not achieving its capital revenue projections for the year and reaching its loan limit at year end. In addition, the decision handed down from the Environment Court on District Plan variation 11 meant that the proposed development of Site 10 could no longer proceed as planned. The decision has, however, provided a greater understanding of the development potential for the Kumutoto precinct and the company is moving ahead with plans to seek proposals for these sites during 2012/13.

# WELLINGTON ZOO TRUST

## REVIEW OF 2011/12 ANNUAL REPORT

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### 1. Purpose of report

The Wellington Zoo Trust (WZT or the Trust) presents its Annual Report including audited financial statements and performance measures.

### 2. Highlights for the year

- Visitors to the Zoo increased by 10% over 2011 figures, reaching 216,457 and exceeding the 200,000 mark for the first time in its recorded history.
- The Emperor penguin (known as Happy Feet) was treated at The Nest Te Kōhanga and released to the Southern Ocean.
- Dr Lisa Argilla, Veterinary Science Manager, won the Environment category of the 2011 Wellingtonian of the Year awards.<sup>1</sup>
- The vet team managed several high profile cases and over 1,000 native patients from over 50 different species were treated at The Nest Te Kōhanga.
- Over 10,000 students from 200 schools visited the Zoo as part of the LEOTC programme.

### Statement of Financial Performance

\$ '000	2011/12 FY Actual	2011/12 FY Budget	2010/11 FY Actual
Income	6,472	6,251	6,381
Income excl WCC grants	3,673	3,452	3,582
Expenditure	6,171	6,251	6,501
Surplus/(Deficit)	301	0	(120)
Operating Surplus/Deficit (excl Capital Grant Income/Exp)	5	0	30

### Statement of Financial Position

\$ '000	2011/12 FY Actual	2011/12 FY Budget	2010/11 FY Actual
Current assets	2,144	15288	1,686
Non current assets	98	66	102
Current liabilities	1,469	926	1,318
Non current liabilities	50	46	48
Equity	723	382	422
Current ratio	1.46	1.4	1.28
Equity ratio	32.2%	28.2%	23.6%

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<sup>1</sup> The previous winner of this category for Wellingtonian of the Year was Karen Fifield (CEO).



## Statement of Cash Flows

\$ '000	2011/12 FY Actual	2011/12 FY Budget	2010/11 FY Actual
Operating	-4	26	131
Investing	-11	0	0
Financing	0	0	0
Net	(15)	26	131
Closing balance	1,342	1,118	1,357

A review of the Trust's financial statements highlights the following points:

- 2012 was a very strong year for WZT with visitor numbers of 216,597 and an operating surplus of \$5k. This is a notable achievement given the backdrop of a poor economic climate (domestically and internationally), and was largely driven by increased visitor numbers and admission revenues.
- Aside from 2010, WZT has continued to steadily grow its operating revenues, despite relatively static annual operating grants from Council.
- The steady improvement in operating revenues, in challenging economic times, is a testament to both the management's focus on making the zoo a worthwhile family experience, and Council's 'Zoo Capital Programme (ZCP)' which has significantly improved the zoo assets (which are owned by Council) and compliments management's efforts.
- WZT's balance sheet has strengthened markedly since 2005 when the Trust had negative equity, a negative working capital position (current liabilities exceeded current assets) and modest cash reserves. At the end of 2012 WZT held a positive cash balance of \$1.3m.

## Operations

- Staff at WZT had a successful year enjoying both personal and industry achievements.
- The Zoo welcomed the arrival of 107 Tarantulas.
- One very popular Emperor Penguin was released. Known affectionately as 'Happy Feet', this Emperor Penguin became an ambassador for all penguins after receiving treatment at The Nest Te Kōhanga.
- On the native animal front, three Kākā were successfully bred at Wellington Zoo, and will be released at Boundary Stream as part of our ongoing breed for restoration programme.
- Six Otago Skinks were released to Otago contributing to the national breeding programme.
- The vet team managed several high profile cases and over 1,000 native patients from over 50 different species were treated at The Nest Te Kōhanga. Patients were brought in from Department of Conservation, the SPCA, ZEALANDIA, and members of the community, showing the widespread recognition of The Nest Te Kōhanga as the centre for native wildlife care in the Wellington region and beyond.

- Visitors to the Zoo totalled 216,597, exceeding 200,000 for the first time in its recorded history.
- Visitors recorded the highest ever number of animal contact hours – with over 1,500 hours.
- Over 10,000 students from more than 200 schools visited to participate in Ministry of Education Learning Experiences Outside the Classroom (LEOTC) programmes.
- Positively Wellington Tourism recognised the impact of Wellington Zoo, rating the experience as one of the top ten Must Do's for Wellington visitors.
- A Certificate of Excellence from TripAdvisor was received due to a consistent rating of Excellence from visitors.

### **Zoo Capital Programme**

Kamala's, part of 'The Hub' precinct, was officially opened by Her Worship the Mayor Celia Wade-Brown and Maurice Hayes, Chairman Pub Charity.

The Hub has won two awards so far: the architectural design of The Hub has resulted in Assembly Architects being a finalist in the 2011 Designers Institute of New Zealand "Best" awards for spatial design for their work on the project. Naylor Love also recently won a Silver Award in the 2011 Wellington region Registered Master Builders Commercial Projects awards for its construction work on The Hub.

Following the recent opening of the Asia precinct, the next major phase of the ZCP is the New Zealand precinct named 'Meet the Locals'. With concept alignment, scoping, and budget planning underway for the latter half of 2012, WZT anticipate the tender process will be underway by mid 2013.

## Key Performance Indicators (KPI)

<b>Performance targets for Wellington Zoo Trust from 2011/12 Statement of Intent</b>			
<b>KEY PERFORMANCE INDICATOR</b>	<b>TARGET</b>	<b>ACTUAL</b>	<b>Comments (2012)</b>
Fundraising targets for ZCP reached or exceeded	<b>2012:</b> \$766,601 2011: \$658,894	<b>2012:</b> \$691,477 2011: \$579,921	Lower than target but spend was below expectation so still above 25% of required fund raising.
Meeting ZCP project timing & budget programme	Phase 2 of The Hub: Dec-2011  Complete Asia Precinct: Mar-2012	Completed Sep-2011.  Opened Sep 2012	Hub Phase 2 achieved. Asia Precinct started later than planned but now on track and within budget.
Increase total admissions by 2% each year on base year 2005/06 (170,116 visitors) as per business plan	<b>2012:</b> 191,982 2011: 187,810	<b>2012:</b> 216,457 2011: 196,267	Achieved
Average income per visitor (excluding WCC grant)	<b>2012:</b> \$14.86 2011: \$13.76	<b>2012:</b> \$13.77 2011: \$13.44	Not achieved. Due to an increase in Zoo Crew members visiting and less full-paying adults & children.
Ratio of Trust generated income as a % WCC grant	<b>2012:</b> 102% 2011: 90%	<b>2012:</b> 107% 2011: 94%	Achieved
Average WCC subsidy per visitor	<b>2012:</b> \$14.58 2011: \$14.42	<b>2012:</b> \$12.93 2011: \$14.26	Achieved
Staff survey conducted	<b>2012:</b> Oct-2011 2011: Oct-2010	<b>2012:</b> Aug-2011 2012: Aug -2010	Achieved
Staff turnover (not including casual and fixed term roles)	<b>2012:</b> <15% 2011: <15%	<b>2012:</b> 19.5% 2011: 22.3%	Higher than expected but WZT not overly concerned.
Collection in managed programmes (% of total collection)	<b>2012:</b> 41% 2011: 41%	<b>2012:</b> 40% 2011: 38.1%	Requirement set by Australasian Zoo & Aquarium Assoc.
Volunteer hours (FTE)	<b>2012:</b> >=5 FTE 2011: >5 FTE (9,600 hrs)	<b>2012:</b> 5.5 FTE 2011: 5.1 FTE (9,729 hrs)	Achieved
Wellingtonians visiting the Zoo	<b>2012:</b> 50% 2011: 50%	<b>2012:</b> 52% 2011: 40%	Achieved. Data from residents survey and WZT market research.

## **Council Strategies**

The Trust contributes to a number of Council strategies:

1. **People-centred City:** The Zoo contributes to the social fabric of Wellington in a number of ways.
  - It provides an interactive and educational family-friendly visitor attraction and hosts many community events, such as Neighbours Night and Children's Day.
  - It undertakes many educational programmes, particularly for children, including Bush Builders and school holiday programmes.
  - It also offers support to community environmental groups and projects, such as Places for Penguins, and provides an active outlet for community and corporate volunteering
2. **Eco-City:** The Zoo maintains a strong conservation programme. In addition to promoting its three key conservation messages to help protect the environment, the Zoo provided veterinary care to many native animals during the year.
3. **Dynamic Central City:** The Zoo continues to play a material role in the city's economic development in many ways, including as an employer, as a training and educational provider, and as a visitor attraction for over 200,000 locals and tourists.

## **Governance**

Board of Trustees at 30 June 2012.

Ross Martin (Chair)

Francie Russell (Deputy Chair)

Linda Meade

Alan Dixson

Simon Marsh (Council)

Shaan Stevens (retired in September 2011)

## **Key issues going forward**

### **1. Continued visitor number growth**

WZT enjoyed good growth in visitors in 2012, reaching 216,597 and exceeding 200,000 for the first time. This level of growth is reward for the efforts to improve the experience for visitors and the investment in the assets. The challenge is to maintain this level of growth in visitor numbers to the Zoo.

### **2. Ability to raise capital donations**

As in the past, the Trust needs to be able to continually source sufficient capital donations or sponsorship agreements in order to progress with the Zoo Capital Plan (ZCP). This is the ten year capital programme totalling \$20.8m which commenced in 2006/07. The maximum \$15.6m that will be funded by the Council for ZCP is contingent on 25% or \$5.2m being funded by the Zoo.

### **3. Focus on conservation and sustainability**

In addition to promoting its three key conservation messages to visitors, the Zoo continues to promote conservation and sustainability and position itself as a leader of sustainable business practices.

### **3. Conclusion**

WZT has backed-up a very successful financial year ended 30 June 2012 with another year of record visitor numbers and admissions revenue. While operating revenues have increased only marginally, Wellington Zoo has continued to focus on its core operations and is achieving very credible results, and generally achieving or exceeding its KPIs.

# WELLINGTON REGIONAL STADIUM TRUST (INC.)

## REVIEW OF 2011/12 ANNUAL REPORT

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### 1. Purpose of report

The Wellington Regional Stadium Trust (Incorporated) (WRST or the Trust) presents its Annual Report including audited financial statements and performance measures.

### 2. Highlights for the year

The year ended 30 June 2012 encapsulates Rugby World Cup 2011. In a year in which the Rugby World Cup was the dominant activity the WRST was able to meet all its key targets:

- A net surplus of \$3.9m, ahead of the previous year of \$3.47m;
- 55 events were hosted, including 50 major events, with total attendances of 621,497;
- Attendance at Rugby World Cup 2011 of 250,350;
- 26% increase in attendance at Hurricanes games in 2012;
- Repayment of the bank loan down from \$11.0m to \$7.5 m;
- Completion and public release of the Stadium Master Plan in June 2012;

### Statement of Financial Performance

\$ '000	2011/12 FY Actual	2011/12 FY Budget	2010/11 Actual
Income	18,715	15,740	16,733
Expenditure	14,802	12,000	13,263
Surplus/(Deficit)	3,913	3,740	3,470

### Statement of Financial Position

\$ '000	2011/12 FY Actual	2011/12 FY Budget	2010/11 Actual
Current assets	2,484	4,210	1,612
Non current assets	94,114	94,540	96,392
Current liabilities	8,325	1,640	7,581
Non current liabilities	18,796	18,960	12,733
Equity	75,540	75,030	71,627
Current ratio	0.30	2.57	0.21
Equity ratio	78.2%	76.0%	73.1%

## Statement of Cash Flows

\$ '000	2011/12 FY Actual	2011/12 FY Budget	2010/11 Actual
Operating	5,345	4,660	4,092
Investing	(1,213)	(2,010)	(2,770)
Financing	(3,500)	0	(2,500)
Net	632	2,650	(1,178)
Closing balance	1,608	3,760	976

A review of the Trust's financial statements highlights the following points:

- WRST is a mature business that demonstrates steady operating revenues and bottom-line operating performances.
- Revenues from memberships and subscriptions were relatively static at around \$2.7m for 2011 and 2012. Renewal of these is due in 2014.
- Events revenues increased by \$1.3m to \$7.7m in 2012.
- Overall, the ratio of operating surplus compared to revenue for the year of 20.9% was very consistent with 20.7% reported in 2011.
- The Trust continues to be in a strong financial position. It has produced a consistent level of surplus and strong cash flows over the past few years.
- Commercial loans reduced from \$11m to \$7.5m during the year. The commercial loan has now been reduced by \$26.15m since 2000.

## Operations

Westpac Stadium hosted 55 events in the FYE 30 June 2012, the highlight of which was its hosting of six Rugby World Cup pool games and two quarter finals over seven weeks.

- This work was done without any additional staffing and still accommodating a full event schedule for other sporting codes and promoters. Events were held up to three weeks before the first game and we then hosted a Phoenix game seven days after the final Rugby World Cup match.
- The Stadium's calendar featured 50 major events – the most the Stadium has seen since opening. From a one-day international to twenty/20 cricket, football, AFL, exhibitions and community events, the variety of events saw visitor numbers increase, and the Stadium expects to host its seven millionth visitor by early 2013.

## Stadium Master Plan

During the year WRST completed the design concepts, specific projects, timelines and detailed budgets for the Stadium Master Plan, discussions with stakeholders, and made the public announcement of the plan.

The first projects of that redevelopment will start in the 2012/2013 financial year. The Trust plans to spend \$29 million in the next five years on renewing and upgrading many aspects of its operation to enhance the spectator experience, improve facilities for

members and box holders, improve the facilities for the rugby sevens tournament, and attract other major events.

The Trust consider the upgrade to be essential in maintaining Westpac Stadium as a first class facility that will continue to attract events while delivering to the expectations of attendees.

## Key Performance Indicators (KPI)

### Performance Measures

Measure	2011/12 Target	2011/12 Actual	
Number of events	50	55	Achieved
Other event-related days	179	183	Achieved
Event revenue (\$000)	5,177	7,658	Achieved
Total revenue (\$000)	15,740	18,715	Achieved
Net Surplus/Deficit (\$000)	3,740	3,913	Achieved
Bank borrowing to total assets	11.14%	7.8%	Achieved

As noted in previous years, the Trust believes that the events are at the maximum level that the Stadium can host in any one year. The high number of regularly scheduled events from principal tenants, combined with pack-in and pack-out days, training sessions and turf refurbishment, does not leave much room for additional events to be scheduled.

## Council Strategies

The Trust contributes to Council strategies:

1. **People-centred City:** The Trust was host to a wide range of events during the year, the most notable being the Rugby World Cup, providing Wellingtonians with the opportunity to watch a wide range of sporting and other activities live. Many events provide discounted entry for children, encouraging family outings and inspiring junior players. In addition, the Stadium hosted 5 community events during the year. Colmar Brunton research reiterates what a pivotal role the Stadium plays in Wellingtonians' perception of the city and its events and sporting programme.
2. **Dynamic Central City:** The Economic Impact Report undertaken in 2009/10, over the past ten years, the Stadium has provided on average an annual economic benefit of \$48.4m and 673 full time equivalent jobs to the region. The direct economic benefit of the RWC alone is estimated to have been over \$94m to the Wellington region.

## Governance

Paul Collins retired as Chair of the board effective 30 June 2012 and was replaced by John Shewan as Chair effective 1 July 2012.



The board of trustees effective 1 July 2012 is as follows.

John Shewan (Chair)  
Sir John Anderson  
Liz Dawson  
Chris Moller  
Susan Elliott  
Mark McGuinness  
John Morrison (WCC Councillor)  
Chris Laidlaw (WRC Councillor)

## **Key issues going forward**

### **1. Renewal of memberships and corporate box licenses**

The renewal of memberships in 2014 will be an important issue for the Trust and they have commenced a range of research work to underpin marketing new memberships in mid to late 2013. Throughout 2012/13 the Trust will also work on the renewal of the corporate box licenses. These are both important initiatives for the Trust that will impact on future levels of surpluses.

### **3. Conclusion**

The Trust recorded another very good result in 2011/12. While the stadia market is a competitive one, particularly in the current economic conditions, the Trust is well positioned to embark on its Stadium Master Plan, with a forecast continuing level of profitability that allows for capital investment and repayment of external debt.

# KARORI SANCTUARY TRUST

## REVIEW OF 2011/12 ANNUAL REPORT

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### 1. Purpose of report

The Karori Sanctuary Trust (Zealandia or the Trust) presents its Annual Report including audited financial statements and performance measures.

### 2. Highlights for the year

- During the financial year ended 30 June 2012, KST approached Council with a series of funding requests. The requests for funding were driven by KST's continuing trading losses, which are being funded by its diminishing cash reserves, and the high likelihood that the Trust would fail going-concern tests without Council's financial support.
- In April/May 2012, a public consultation was held alongside Council's Long Term Planning processes to help inform elected members of the appetite for providing the necessary support to underpin its immediate viability ("Eco-city consultation"). As a result of the Eco-city consultation, Council agreed to provide funding for KST subject to certain conditions.
- The financial deficit for the year of \$1.4m was significantly better than the plan of \$2.03m, and excluding Council grants was an improved result compared to 2010/11.

### Statement of Financial Performance

\$ '000	2011/12 FY Actual	2011/12 FY Budget*	2010/11 FY Actual
Income	2,654	2,541	3,099
Expenditure	4,040	4,573	4,001
Surplus/(Deficit)	(1,386)	(2,032)	(902)

### Statement of Financial Position

\$ '000	2011/12 FY Actual	2011/12 FY Budget*	2010/11 FY Actual
Current assets	1,229	410	1,927
Non current assets	17,912	17,965	18,757
Current liabilities	547	354	604
Non current liabilities	11,147	11,147	11,247
Equity	7,547	6,876	8,933
Current ratio	2.25	1.16	3.19
Equity ratio	39.4%	37.4%	43.2%

## Statement of Cash Flows

\$ '000	2011/12 FY Actual	2011/12 FY Budget*	2010/11 FY Actual
Operating	(543)	(1,199)	(25)
Investing	(83)	(167)	(120)
Financing	(100)	(115)	(100)
Net	(727)	(1,481)	(245)
Closing balance	1,066	299	1,793

\* 2011-2014 Strategic Business Plan

A review of the Trust's financial statements for the year ended 30 June highlights the following points:

- All material revenue sources, except the Council's grant, increased from between 2011 and 2012.
- Council's grant to the Trust reduced from \$700k in 2011 to \$40k in 2012 as planned.
- Operating expenses between the years ended 2011 and 2012 were almost static at \$4.0m. After accounting for depreciation, the Trust recorded a net loss for the year of \$1.4m.
- The Trust's financial performance between 2011 and 2012 excluding Council grants improved significantly as shown by their operating cashflows. In 2011 the operating cashflow was negative \$725k compared to 2012 where the cashflow deficit reduced to \$583k.
- The Trust held \$1.1m in cash reserves at 30 June 2012.

## Key Performance Indicators (KPI)

The following KPI measures were provided by KST.

Measures	2010-11 Actual	2011-12 Actual	2011-12 Budget	Achieved/not achieved
Total visitor numbers	89,643	87,897	91,866	Not achieved
Membership units	5,034*	4,830	5,400	Not achieved
No of student visits (including outreach and school holiday programme)	7,068	6,556	7,068	Not achieved
Average subsidy per visit	\$7.81	\$0.45	\$0.43	Achieved
Average revenue per visit (excludes Council funding) **	\$25.69	\$29.13	\$27.41	Achieved
Visitors surveyed - Overall visitor experience	9.1	9.2	>8.5	Achieved
Volunteer numbers	>400	>400	>400	Achieved
% of school visits rate their overall satisfaction as being good to excellent	100%	98%	98%	Achieved
Qualmark accredited	Achieved	Achieved	Achieved	Achieved

\*Membership units reported last year was 5149. In this table above, this has been changed to 5,034. This is because last year 5149 includes adjustment to accommodate comparison with 2009-10 year due to a change in membership structure in 2010-11.

\*\*Excludes interest

## **Council Strategies**

ZEALANDIA contributes to a number of Council strategies:

1. **People-centred City:** ZEALANDIA continues to contribute strongly to Wellington's sense of place, local identity and history. The urban sanctuary on the doorstep is unique and adds to the range of amenities that make Wellington a great place to live.
2. **Eco-City:** ZEALANDIA is considered a living laboratory that supports an extensive range of research. The Trust maintains a key strategic relationship with Victoria University's Centre for Biodiversity & Restoration Ecology. During the year thirty three female bellbirds and twenty seven kakariki were transferred from Kapiti Island. The 300th kaka was banded during the year. One of the most successful hihi breeding seasons since release with over 84 chicks successfully fledged. Populations of native freshwater species in the upper lake and tributary streams are making a dramatic comeback with a record numbers of banded kokopu and koura.
3. **Dynamic Central City:** ZEALANDIA contributes to the diverse and changing range of attractions that showcase Wellington.

## **Operations**

During the year:

- Fifteen tuatara hatched at Victoria University of Wellington, after being rescued from three disturbed nests, were transferred to three specially built display enclosures.
- The pair of Karearea (New Zealand falcon) successfully nested twice in 2011-12, fledging one chick on each occasion.
- 31 weed species were controlled or surveyed during the summer.
- 85% of night tours during the year reported at least one little spotted kiwi seen, compared with 70% the year before.
- 85% percent of night tours reported seeing tuatara, up from 74% the previous year.
- A new enclosure was built on the Te Mahanga track so that visitors on night tours could see the nocturnal Maud Island frog, which would otherwise be out of sight.
- Several transfers of Longfin eels have been undertaken into the Te Mahanga Stream to establish a population there that might respond to feeding and become a feature for visitors.

- Over 33,000 volunteer hours were carried out in 2011-12 (excluding pro-bono services).
- The ZEALANDIA exhibition won a silver award for Best Spatial Design (Exhibitions Installations and Temporary Structures), an initiative of The Designers Institute of New Zealand, an annual showcase of excellence in graphic, spatial, product and interactive design.

### **Governance**

At 30 June 2012 the Trustees were  
 Catherine Isaac (Chair)  
 Dr Russell Ballard  
 Professor Sir Paul Callaghan  
 Professor Charles Daugherty  
 George Hickton  
 Don Huse  
 Graeme Mitchell

As a result of outcomes from the Eco-city consultation, an interim board of trustees was established with an expected term of 6 months.

The interim board chair, Kevin Brady (former auditor general), was appointed by Council to lead the interim board.

### **Current Trustees**

Kevin Brady (Chair)  
 Pam Fuller  
 Dr. Russell Ballard  
 Graeme Mitchell  
 Steven Thompson  
 Prof. Charles Daugherty  
 George Hickton

### **Key issues and activities going forward**

At present, a thorough review of the operations of KST and the sanctuary is underway. It is aimed at identifying material opportunities to reduce Council's obligation to provide significant ongoing grant funding to KST.

The findings and recommendations of the review will represent a key issue for Council and KST in the near term.

### **3. Conclusion**

In 2011, KST approached Council for financial support in recognition of its future trading losses and its perilous financial position. The subsequent Eco-city consultation helped to confirm Council's continued support for KST subject to a thorough strategic review of KST's operations.

An interim board of trustees was confirmed in July 2012 and tasked with undertaking the strategic review and making changes to minimise the likely future cost to Council of KST's operations. At the time of writing, the results of this review are not known nor are any likely changes to the operations of KST or the sanctuary.