

**COUNCIL CONTROLLED
ORGANISATION PERFORMANCE
SUBCOMMITTEE**

MINUTES

THURSDAY 29 NOVEMBER 2012

**9.25AM – 10.46AM
10.59AM – 12.03PM**

**Committee Room One
Ground Floor, Council Offices
101 Wakefield Street
Wellington**

PRESENT:

Denise Church	(9.25am – 10.46am, 10.59am – 12.03pm.)
Councillor Coughlan	(9.36am – 10.46am, 10.59am – 11.02am, 11.03am – 11.22am, 11.23am – 12.03pm.)
Alan Isaac (Chair)	(9.25am – 10.46am, 10.59am – 12.03pm.)
Councillor Marsh	(9.40am – 10.46am, 11.01am – 11.12am, 11.13am – 12.03pm.)
Councillor Ritchie	(9.25am – 9.38am, 10.01am – 10.03pm.)

APOLOGIES:

Mayor Wade-Brown

DEMOCRATIC SERVICES OFFICER IN ATTENDANCE:

Sophie Rapson - Committee Advisor

EXECUTIVE LEADERSHIP TEAM IN ATTENDANCE

Peter Garty – Chief Financial Officer

037/12FM **APOLOGIES**
(1215/52/02/IM)

NOTED:

Moved Alan Isaac, seconded Denise Church, the motion that apologies for absence from Mayor Wade-Brown be accepted.

The motion was put and declared CARRIED.

RESOLVED:

THAT the Council Controlled Organisation Performance Subcommittee:

1. *Accept apologies for absence from Mayor Wade-Brown.*

038/12FM **MINUTES FOR CONFIRMATION**
(1215/52/02/IM)

Moved Alan Isaac, seconded Denise Church, the motion that the Council Controlled Organisation Performance Subcommittee approve the minutes of the ordinary meeting held on Monday 15 October 2012, having been circulated, be taken as an accurate record of that meeting.

The motion was put and declared CARRIED.

RESOLVED:

THAT the Council Controlled Organisation Performance Subcommittee:

1. *Approve the minutes of the ordinary meeting held on Monday 15 October 2012, having been circulated, be taken as an accurate record of this meetings.*

039/12FM **CONFLICT OF INTEREST DECLARATIONS**
(1215/52/02/IM)

NOTED:

1. Councillor Marsh noted a conflict of interest in relation to Report 2 – Review of the Performance of all Council Controlled Organisations for the Quarter Ended 30 September 2012 for the Wellington Zoo Trust.
2. Councillor Coughlan noted a conflict of interest in relation to Report 2 – Review of the Performance of all Council Controlled Organisations for the Quarter Ended 30 September 2012 for Positively Wellington Tourism.

3. Alan Isaac (Chair) noted a conflict of interest in relation to Report 2 – Review of the Performance of all Council Controlled Organisations for the Quarter Ended 30 September 2012 for Basin Reserve Trust.

040/12FM **PUBLIC PARTICIPATION**
(1215/52/02/IM)

NOTED:

There was no public participation.

041/12FM **COUNCIL CONTROLLED ORGANISATIONS PERFORMANCE PRESENTATIONS**
Basin Reserve Trust, Wellington Zoo Trust, and Capacity.
(1215/52/02/IM) (REPORT 1)

NOTED:

1. The presentations from Basin Reserve Trust, Wellington Zoo Trust and Capacity have been deferred to the next Council Controlled Organisation Performance Subcommittee meeting.

042/12FM **REVIEW OF THE PERFORMANCE OF ALL COUNCIL CONTROLLED ORGANISATIONS FOR THE QUARTER ENDED 30 SEPTEMBER 2012**
Report of Richard Hardie, Portfolio Manager, Council Controlled Organisations, Warwick Hayes, Portfolio Manager, Council Controlled Organisations, and Natasha Petkovic-Jeremic, Portfolio Manager, Council Controlled Organisations.
(1215/52/02/IM) (REPORT 2)

Moved Alan Isaac, seconded Denise Church, the substantive motion with changes to the recommendations in the officer's report as follows (in bold):

THAT the Council Controlled Organisation Performance Subcommittee:

1. Receive the information
2. Recommend that the Strategy and Policy Committee notes the following matters with regard to the ~~third~~ **first** quarter ~~2011/12~~ **2012/13** performance of Council Controlled Organisations:
 - a) The Basin Reserve Trust began work on the renewal of drainage on the Basin Reserve with the project on target to host the first game on December 26. In addition, the Trust has continued to

work with officers to implement a series of maintenance project intended to improve the overall condition of the ground for Test cricket and other events. After allowing for depreciation of \$67k, the Trust made an operating surplus of \$73k, \$66k ahead of budget.

- b) Capacity doesn't budget to make a profit and a deficit or surplus generally reflects timing differences between operating costs & revenues. Total expenditure in Q1 was \$2,007k or 3% below the YTD budget of \$2,067k. Wellington City Council's total 3 Waters budget for 2012/13 is \$114.7m; representing an opex budget of \$48.2m, capex projects with a budget of \$22.7m and 2 capex carry forward projects worth \$1.4m. Investigations by MoBIE into a fatal accident that occurred in July, to one of Capacity's subcontractors, are ongoing.

Council's operating projects are forecast to be overspent by \$965,000 for the full year. The largest variance is coming from the wastewater area and is attributed to reactive maintenance and increased loading on the wastewater treatment plant. Capacity is requested to provide detail on the reasons and the future impact of the higher than forecast loading.

- c) Positively Wellington Tourism has reported a busy quarter one. Major activity included Visa Wellington on a Plate in August that resulted in visitor spend to the city of \$2.08m. Australian visitor arrivals to Wellington continue to counter the national trend, rising 4.3% during the quarter. However, domestic guest nights and weekend room nights have decreased against 2011 figures which is attributed to Rugby World Cup 2011 and the earlier timing of WOW. Income was \$269k (10%) ahead of budget, while expenditure was \$987k (36%) under budget due to the timing of payments.
- d) Positively Wellington Venues has made a strong start to the year, posting a net profit of \$43k that was \$33k ahead of budget. Although venue utilisation was down slightly on the previous year, revenue was \$112k (2.9%) ahead of budget. Considerable work this quarter has been put into developing the detail and project framework for the temporary replacement venue in Shed 6, and Key Performance Indicators are now in place with baseline measures for 2012/13. 76 Community Hire days were reported for the quarter. Of these, 74 (97%) were funded in part by a grant or subsidy.
- e) Cable Car passenger numbers for the quarter were 218,714, or 1.4% below budget. Passenger numbers for the quarter were 8% lower than for Q1 last year which is attributed to the positive impact of the Rugby World Cup on passenger numbers last year.

This is a continuation of a steady decline in passenger numbers – which is attributed to the prevailing economic conditions and decreased student numbers travelling by cable car. Operating costs for the period were \$1.202m below budget, contributing to a deficit before tax for the quarter of \$21k versus a budgeted deficit of \$93k. Work on upgrading the Kelburn Terminus is continuing with consents, design and tender documentation, all aiming towards construction commencing in April 2013.

- f) Overall, visitor numbers for the Museums Trust in the first quarter visitor were 130,518, 7% below target of 141,260. City Gallery performed significantly better than budget achieving 48,387, against budget of 32,000. Museum of Wellington, Cable Car Museum and Capital E all performed below target. The Trust attributes this to the general flat economy and mood of the country and notes that similar numbers have been reported via Museums Aotearoa from other cultural institutions in the country. The Trust recorded a surplus of \$108k against a budgeted deficit of \$22k. This is attributable to reduced expenditure in operating expenses. Trading income was below budget, achieving \$306k against the budgeted \$423k. All variances are timing variances only.
- g) Wellington Waterfront Limited moved forward on a number of significant projects during quarter one, overseeing the seismic assessment of Shed 6, the Shed 6 wharf and the TSB Arena, and working with officers on the revision of the North Kumutoto Design brief. The company recorded an operating deficit for quarter one of \$1.4m against a budgeted deficit of \$1.2m. The main reason for this unfavourable ~~result~~ **outcome** was depreciation for the quarter being over budget by \$416k **because of the revaluation of assets in June 2012 that resulted in an increase in assets of \$66 million**. At the end of the quarter, the advance from Council was \$17 million and is tracking as expected.
- h) Visitation at Wellington Zoo for 2012-13 as at end of September is behind target by 1,679 visitors but ahead of last year's record year by 959 visitors to date. The budgeted operating deficit for Q1 was 52k versus an actual operating deficit of \$91k, due to a visitor mix trend of less full paying adults than expected. This trend improved during October 2012 and the Zoo expects to meet their 2012/13 budget targets.
- i) The New Zealand Local Government Funding Agency Ltd's Q1 surplus before dividends and tax was \$350k, approximately \$280k ahead of forecast. As a result, the LGFA is investigating options to balance the payment of dividends with providing further reductions in borrowing costs to participating local authorities.

j) The Karori Sanctuary Trust Board has set up four committees to develop strategies in governance, fundraising and marketing, key strategic partnerships, and its financial model. Visitations for the quarter at 16,259 were 5% (864) below target of 17,123. Despite revenue falling below budget by \$15k, expenditure was contained such that the deficit before depreciation of \$219k for the quarter was \$26k below the budgeted deficit. Cash at bank at 30 Sep 2012 was \$881k, \$84k better than budget. Trading losses for the full year are expected **to be approximately \$800k before Council support of \$350k and to reduce the cash to reduce to \$296k at 30 June 2013 assuming the Council approves the \$350k provisionally approved in the LTP pending the outcome of a report from the interim Board of the Sanctuary operations.**

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.

(Councillor Coughlan joined the meeting at 9.36am.)

(Councillor Ritchie left the meeting at 9.38am.)

(Councillor Marsh joined the meeting at 9.40am.)

(Councillor Ritchie returned to the meeting at 10.01am.)

(Councillor Ritchie left the meeting at 10.03am.)

The substantive motion as amended was put and declared CARRIED.

RESOLVED:

THAT the Council Controlled Organisations Performance Subcommittee:

1. *Receive the information*
2. *Recommend that the Strategy and Policy Committee notes the following matters with regard to the ~~third~~ first quarter 2011/12 2012/13 performance of Council Controlled Organisations:*
 - a) *The Basin Reserve Trust began work on the renewal of drainage on the Basin Reserve with the project on target to host the first game on December 26. In addition, the Trust has continued to work with officers to implement a series of maintenance project intended to improve the overall condition of the ground for Test cricket and other events. After allowing for depreciation of \$67k, the Trust made an operating surplus of \$73k, \$66k ahead of budget.*

- b) *Capacity doesn't budget to make a profit and a deficit or surplus generally reflects timing differences between operating costs & revenues. Total expenditure in Q1 was \$2,007k or 3% below the YTD budget of \$2,067k. Wellington City Council's total 3 Waters budget for 2012/13 is \$114. 7m; representing an opex budget of \$48.2m, capex projects with a budget of \$22.7m and 2 capex carry forward projects worth \$1.4m. Investigations by MoBIE into a fatal accident that occurred in July, to one of Capacity's subcontractors, are ongoing.*

Council's operating projects are forecast to be overspent by \$965,000 for the full year. The largest variance is coming from the wastewater area and is attributed to reactive maintenance and increased loading on the wastewater treatment plant. Capacity is requested to provide detail on the reasons and the future impact of the higher than forecast loading.

- c) *Positively Wellington Tourism has reported a busy quarter one. Major activity included Visa Wellington on a Plate in August that resulted in visitor spend to the city of \$2.08m. Australian visitor arrivals to Wellington continue to counter the national trend, rising 4.3% during the quarter. However, domestic guest nights and weekend room nights have decreased against 2011 figures which is attributed to Rugby World Cup 2011 and the earlier timing of WOW. Income was \$269k (10%) ahead of budget, while expenditure was \$987k (36%) under budget due to the timing of payments.*
- d) *Positively Wellington Venues has made a strong start to the year, posting a net profit of \$43k that was \$33k ahead of budget. Although venue utilisation was down slightly on the previous year, revenue was \$112k (2.9%) ahead of budget. Considerable work this quarter has been put into developing the detail and project framework for the temporary replacement venue in Shed 6, and Key Performance Indicators are now in place with baseline measures for 2012/13. 76 Community Hire days were reported for the quarter. Of these, 74 (97%) were funded in part by a grant or subsidy.*
- e) *Cable Car passenger numbers for the quarter were 218,714, or 1.4% below budget. Passenger numbers for the quarter were 8% lower than for Q1 last year which is attributed to the positive impact of the Rugby World Cup on passenger numbers last year. This is a continuation of a steady decline in passenger numbers – which is attributed to the prevailing economic conditions and decreased student numbers travelling by cable car. Operating costs for the period were \$1.202m below budget, contributing to a deficit before tax for the quarter of \$21k versus a budgeted deficit of \$93k. Work on upgrading the Kelburn*

Terminus is continuing with consents, design and tender documentation, all aiming towards construction commencing in April 2013.

- f) *Overall, visitor numbers for the Museums Trust in the first quarter visitor were 130,518, 7% below target of 141,260. City Gallery performed significantly better than budget achieving 48,387, against budget of 32,000. Museum of Wellington, Cable Car Museum and Capital E all performed below target. The Trust attributes this to the general flat economy and mood of the country and notes that similar numbers have been reported via Museums Aotearoa from other cultural institutions in the country. The Trust recorded a surplus of \$108k against a budgeted deficit of \$22k. This is attributable to reduced expenditure in operating expenses. Trading income was below budget, achieving \$306k against the budgeted \$423k. All variances are timing variances only.*
- g) *Wellington Waterfront Limited moved forward on a number of significant projects during quarter one, overseeing the seismic assessment of Shed 6, the Shed 6 wharf and the TSB Arena, and working with officers on the revision of the North Kumutoto Design brief. The company recorded an operating deficit for quarter one of \$1.4m against a budgeted deficit of \$1.2m. The main reason for this unfavourable ~~result~~ **outcome** was depreciation for the quarter being over budget by \$416k **because of the revaluation of assets in June 2012 that resulted in an increase in assets of \$66 million.** At the end of the quarter, the advance from Council was \$17 million and is tracking as expected.*
- h) *Visitation at Wellington Zoo for 2012-13 as at end of September is behind target by 1,679 visitors but ahead of last year's record year by 959 visitors to date. The budgeted operating deficit for Q1 was 52k versus an actual operating deficit of \$91k, due to a visitor mix trend of less full paying adults than expected. This trend improved during October 2012 and the Zoo expects to meet their 2012/13 budget targets.*
- i) *The New Zealand Local Government Funding Agency Ltd's Q1 surplus before dividends and tax was \$350k, approximately \$280k ahead of forecast. As a result, the LGFA is investigating options to balance the payment of dividends with providing further reductions in borrowing costs to participating local authorities.*
- j) *The Karori Sanctuary Trust Board has set up four committees to develop strategies in governance, fundraising and marketing, key strategic partnerships, and its financial model. Visitations for the quarter at 16,259 were 5% (864) below target of 17,123.*

*Despite revenue falling below budget by \$15k, expenditure was contained such that the deficit before depreciation of \$219k for the quarter was \$26k below the budgeted deficit. Cash at bank at 30 Sep 2012 was \$881k, \$84k better than budget. Trading losses for the full year are expected **to be approximately \$800k before Council support of \$350k and to reduce the cash to reduce to \$296k at 30 June 2013 assuming the Council approves the \$350k provisionally approved in the LTP pending the outcome of a report from the interim Board of the Sanctuary operations.***

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.*

NOTED:

The Resolution differs from the officer's recommendations as follows:

The Subcommittee added the text in **bold** and removed the text with strikethrough.

043/12FM **RESOLUTION TO EXCLUDE THE PUBLIC**
(1215/52/02/IM)

Moved Alan Isaac, seconded Councillor Marsh, the motion to exclude the public.

The motion was put and declared CARRIED.

RESOLVED:

THAT the Council Controlled Organisation Performance Subcommittee:

1. *Pursuant to the provisions of the Local Government Official Information and Meetings Act 1987, resolve that the public be excluded from the following part of the proceedings of this meeting namely:*

Report 2 – Review of the 2011/12 Annual Reports and Audited Financial Statements of Council Controlled Organisations

Grounds: Section 48(1)(a) That public conduct of the whole or the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good

reason for withholding would exist under Section 7

Reasons: Section 7(2)(b)(ii) Would be likely unreasonably to prejudice the commercial position of the person who supplied or who is the subject of the information.

Section 7(2)(c) Protect information which is subject to an obligation of confidence or which any person has been or could be compelled to provide under the authority of any enactment, where the making available of the information –

(i) Would be likely to prejudice the supply of similar information, or information from the same source, and it is in the public interest that such information should continue to be supplied.

The meeting went into public excluded session at 10.45am.

For item 048/12FM, please see the public excluded minutes.

The public excluded session of the meeting concluded at 10.46am.

(The meeting adjourned for morning tea at 10.46am and reconvened at 10.59am.)

(Denise Church, Alan Isaac and Councillor Coughlan were present when the meeting reconvened.)

044/12FM **REVISED FINAL STATEMENTS OF INTENT FOR COUNCIL CONTROLLED ORGANISATIONS FOR THE YEAR 2012/13**
 Report of Richard Hardie, Portfolio Manager, Council Controlled Organisations, Warwick Hayes, Portfolio Manager, Council Controlled Organisations, and Natasha Petkovic-Jeremic, Portfolio Manager, Council Controlled Organisations.
 (1215/52/02/IM) (REPORT 3)

Moved Alan Isaac, seconded Councillor Coughlan, the substantive motion.

The substantive motion was put and declared CARRIED.

RESOLVED:

THAT the Council Controlled Organisations Performance Subcommittee:

*Council Controlled Organisation Performance Subcommittee
 Meeting of Thursday 29 November 2012*

1. *Receive the information*
2. *Note that at the Subcommittee meeting on 8 June 2012 the 2012/13 Statements of Intent were approved for the following organisations:*
 - a) *Basin Reserve Trust*
 - b) *Wellington Cable Car Limited*
 - c) *Wellington Museums Trust*
 - d) *Wellington Zoo Trust*
3. *Note that at its meeting on 8 June 2012, the subcommittee agreed to approve the Wellington Regional Stadium Trust 2012/13 Statement of Intent subject to the provision of further detail on the Master Plan business case that has now been received.*
4. *Agree to recommend that the Strategy and Policy Committee approve the following 2012/13 Statements of Intent as outlined below following the finalisation of the Council's Long Term Plan 2012-22:*
 - a) *Capacity*
 - b) *Positively Wellington Venues Limited*
 - c) *Wellington Waterfront Limited*
5. *Note any other issues for the Chair to raise with the Strategy and Policy Committee in regard to this report.*
6. *Note any issues for the Chair to raise with the entities covered by this report.*

045/12FM 2013/2014 LETTERS OF EXPECTATION TO COUNCIL CONTROLLED ORGANISATIONS

Report of Richard Hardie, Portfolio Manager, Council Controlled Organisations, Warwick Hayes, Portfolio Manager, Council Controlled Organisations, and Natasha Petkovic-Jeremic, Portfolio Manager, Council Controlled Organisations.

(1215/52/02/IM)

(REPORT 4)

Moved Alan Isaac, seconded Denise Church, the substantive motion.

(Councillor Marsh returned to the meeting at 11.01am.)

(Councillor Coughlan left the meeting at 11.02am.)

(Councillor Coughlan returned to the meeting at 11.03am.)

(Councillor Marsh left the meeting at 11.12am.)

(Councillor Marsh returned to the meeting at 11.13am.)

(Councillor Coughlan left the meeting at 11.22am.)

(Councillor Coughlan returned to the meeting at 11.23am.)

The substantive motion was put and declared CARRIED.

RESOLVED:

THAT the Council Controlled Organisations Performance Subcommittee:

- 1. Receives the information*
- 2. Confirm the key messages to be included in the 2013/14 Letters of Expectation to Council Controlled Organisations*
- 3. Note that officers will prepare formal 2013/14 Letters of Expectation incorporating the directions of the Subcommittee for signing by the Chair of this Subcommittee*
- 4. Note that the Subcommittee can expect to receive draft 2013/14 Statements of Intent, alongside officers' analyses, for its consideration at its meetings in March and April 2013.*

046/12FM **COUNCIL CONTROLLED ORGANISATION TEAM FORWARD WORK PROGRAMME**

Report of Richard Hardie, Portfolio Manager, Council Controlled Organisations, Warwick Hayes, Portfolio Manager, Council Controlled Organisations, and Natasha Petkovic-Jeremic, Portfolio Manager, Council Controlled Organisations.

(1215/52/02/IM)

(REPORT 5)

Moved Alan Isaac, seconded Denise Church, the substantive motion.

The substantive motion was put and declared CARRIED.

RESOLVED:

THAT the Council Controlled Organisations Performance Subcommittee:

- 1. Receive the information*
- 2. Note any issues for the Chair to raise with the Strategy and Policy Committee*
- 3. Note any issues for the Chair to raise with the Council-Controlled Organisations team*

047/12FM **FORWARD PROGRAMME**

Report of Richard Hardie, Portfolio Manager, Council Controlled Organisations, Warwick Hayes, Portfolio Manager, Council Controlled Organisations, and Natasha Petkovic-Jeremic, Portfolio Manager, Council Controlled Organisations.

(1215/52/02/IM)

(REPORT 6)

Moved Alan Isaac, seconded Denise Church, the substantive motion with changes to the recommendations in the officer's report as follows (in bold):

THAT the Council Controlled Organisations Performance Subcommittee:

1. Receive the information.
2. Agree to the forward programme attached to this report as appendix A, **amended as follows:**
 - (a) **Monday 11 March 2013**
 - **Delete PWT, Wellington Regional Stadium Trust, and Wellington International Airport Ltd**
 - **Add Basin Reserve Trust, Wellington Zoo Trust, and Capacity**
 - (b) **Monday 8 April 2013**
 - **Delete Wellington Venues Ltd and Wellington Waterfront Ltd**
 - **Add PWT, Wellington Regional Stadium Trust, and Wellington International Airport Ltd**
 - (c) **Friday 5 June 2013**
 - **Delete Museums Trust / Carter and Karori Sanctuary Trust**
 - **Add Wellington Venues Ltd and Wellington Waterfront Ltd**
 - (d) **Friday 27 September 2013**
 - **Delete Wellington Zoo Trust and Capacity**
 - **Add Museums Trust / Carter and Karori Sanctuary Trust**
 - (e) **Friday 29 November 2013 (TBC)**
 - **Delete Wellington Cable Car Ltd and Basin Reserve Trust**
 - **Add Wellington Zoo Trust and Capacity**

The substantive motion as amended was put and declared CARRIED.

RESOLVED:

THAT the Council Controlled Organisations Performance Subcommittee:

1. *Receive the information.*
2. *Agree to the forward programme attached to this report as appendix A, amended as follows:*
 - (a) *Monday 11 March 2013*
 - *Delete PWT, Wellington Regional Stadium Trust, and Wellington International Airport Ltd*
 - *Add Basin Reserve Trust, Wellington Zoo Trust, and Capacity*
 - (b) *Monday 8 April 2013*
 - *Delete Wellington Venues Ltd and Wellington Waterfront Ltd*
 - *Add PWT, Wellington Regional Stadium Trust, and Wellington International Airport Ltd*
 - (c) *Friday 5 June 2013*
 - *Delete Museums Trust / Carter and Karori Sanctuary Trust*
 - *Add Wellington Venues Ltd and Wellington Waterfront Ltd*
 - (d) *Friday 27 September 2013*
 - *Delete Wellington Zoo Trust and Capacity*
 - *Add Museums Trust / Carter and Karori Sanctuary Trust*
 - (e) *Friday 29 November 2013 (TBC)*
 - *Delete Wellington Cable Car Ltd and Basin Reserve Trust*
 - *Add Wellington Zoo Trust and Capacity*

NOTED:

The resolution differs from the recommendations as follows:

The Subcommittee added the text in bold.

The meeting concluded at 12.03pm.

Confirmed: _____
 Chair
 / /