



**REVIEW OF THE PERFORMANCE OF ALL COUNCIL  
CONTROLLED ORGANISATIONS FOR THE QUARTER ENDED  
30 SEPTEMBER 2012**

**1. Purpose of report**

To provide the Subcommittee with an analysis of the performance of all Council Controlled Organisations (and other selected entities) for the quarter ended 30 September 2012, in compliance with the Local Government Act 2002 and Council reporting requirements.

**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 third quarter 2011/12 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.*

- 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 was depreciation for the quarter being over budget by \$416k. 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 reduce the cash to \$296k at 30 June 2013.*

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.*

## **5. 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. Officers have included a brief overview that includes the agreed Key Performance Indicators and financial summaries. The issues that have been identified from officers' reviews are included in this covering report.

## **6. Entities Covered by this Report**

### ***6.1 Council Controlled Organisations***

To comply with statutory requirements, officers will report quarterly to the Subcommittee on the performance of Council Controlled Organisations (CCOs). These are:

Basin Reserve Trust  
Capacity Infrastructure Services Ltd  
Partnership Wellington Trust (Positively Wellington Tourism)  
Wellington Venues Ltd (Positively Wellington Venues)  
Wellington Cable Car Ltd  
Wellington Museums Trust  
Wellington Waterfront Ltd  
Wellington Zoo Trust

### **6.2 New Zealand Local Government Funding Agency**

The LGFA was established by the NZ Government in conjunction with 18 local authorities (including Wellington City Council) on 1 December 2011. The Government is the largest single shareholder with an investment of \$5m. This Council is among a group of nine local authorities that facilitated its establishment ("the tight nine").

At the time of writing a share sell-down is planned for 30 November 2012 ("second opening"), whereby existing eligible shareholders (those local authorities with investments in LGFA of greater than \$100k) will sell shares at par to incoming shareholders. The second opening was anticipated at the establishment of the LGFA and is provide for in its founding documents. The second opening will introduce a further 12 local authority shareholders (shaded in table below) bringing the share register to 30 local authority shareholders plus the NZ Government. The second opening is a sell-down of existing shares and therefore does not introduce further capital to the LGFA – it simply increases and diversifies its shareholder base.

The LGFA's share register from 1 December 2012 will be as follows.

| Shareholders                       | Paid up capital (\$) | % PUC          | Unpaid capital (\$) | %UPC           |
|------------------------------------|----------------------|----------------|---------------------|----------------|
| New Zealand Government             | 5,000,000            | 20.00%         | 0                   | 0.00%          |
| Auckland*                          | 1,865,980            | 7.46%          | 1,865,980           | 9.33%          |
| Bay of Plenty Regional             | 1,865,979            | 7.46%          | 1,865,979           | 9.33%          |
| Christchurch City*                 | 1,865,980            | 7.46%          | 1,865,980           | 9.33%          |
| Hamilton City*                     | 1,865,980            | 7.46%          | 1,865,980           | 9.33%          |
| Tasman District*                   | 1,865,979            | 7.46%          | 1,865,979           | 9.33%          |
| Tauranga City*                     | 1,865,979            | 7.46%          | 1,865,979           | 9.33%          |
| Wellington City*                   | 1,865,979            | 7.46%          | 1,865,979           | 9.33%          |
| Wellington Regional*               | 1,865,979            | 7.46%          | 1,865,979           | 9.33%          |
| Western Bay of Plenty District*    | 1,865,979            | 7.46%          | 1,865,979           | 9.33%          |
| Whangarei District*                | 746,392              | 2.99%          | 746,392             | 3.73%          |
| Hastings District                  | 373,196              | 1.49%          | 373,196             | 1.87%          |
| Selwyn District                    | 186,598              | 0.75%          | 186,598             | 0.93%          |
| Masterton District Council         | 100,000              | 0.40%          | 100,000             | 0.50%          |
| New Plymouth District Council      | 100,000              | 0.40%          | 100,000             | 0.50%          |
| Otorohanga District Council        | 100,000              | 0.40%          | 100,000             | 0.50%          |
| South Taranaki District Council    | 100,000              | 0.40%          | 100,000             | 0.50%          |
| Taupo District Council             | 100,000              | 0.40%          | 100,000             | 0.50%          |
| Waipa District Council             | 100,000              | 0.40%          | 100,000             | 0.50%          |
| Gisborne District Council          | 100,000              | 0.40%          | 100,000             | 0.50%          |
| Horowhenua District Council        | 100,000              | 0.40%          | 100,000             | 0.50%          |
| Hutt City Council                  | 100,000              | 0.40%          | 100,000             | 0.50%          |
| Kapiti Coast District Council      | 100,000              | 0.40%          | 100,000             | 0.50%          |
| Manawatu District Council          | 100,000              | 0.40%          | 100,000             | 0.50%          |
| Marlborough District Council       | 200,000              | 0.80%          | 200,000             | 1.00%          |
| Palmerston North City Council      | 100,000              | 0.40%          | 100,000             | 0.50%          |
| Rotorua District Council           | 100,000              | 0.40%          | 100,000             | 0.50%          |
| Thames-Coromandel District Council | 100,000              | 0.40%          | 100,000             | 0.50%          |
| Waimakariri District Council       | 100,000              | 0.40%          | 100,000             | 0.50%          |
| Wanganui District Council          | 100,000              | 0.40%          | 100,000             | 0.50%          |
| Whakatane District Council         | 100,000              | 0.40%          | 100,000             | 0.50%          |
| * denotes member of "tight nine"   | <b>25,000,000</b>    | <b>100.00%</b> | <b>20,000,000</b>   | <b>100.00%</b> |

The fundamental purpose of the LGFA is to aggregate the creditworthiness and borrowing needs of local authorities to improve (on average) the cost of borrowings for its shareholding local authorities and to improve access to debt markets. Progress on this is discussed below.

### 6.3 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.

### 6.4 Council Organisations

At previous CCOPS meetings it was recommended that a number of Council Organisations also be monitored on a quarterly basis. Accordingly, the following entities have been included within this quarter:

- Karori Sanctuary Trust (Zealandia)

*This report is officer advice only. Refer to minutes of the meeting for decision.*

- Wellington International Airport Limited

## **7. Issues for the Subcommittee to Consider**

### **Council Controlled Organisations:**

#### **7.1 Basin Reserve Trust**

Quarter one is traditionally a quiet period of sports activity for the Basin Reserve as the ground keepers prepare the playing surface for the upcoming cricket season. This quarter contractor began work on the renewal of drainage on the Basin Reserve that involved in part a complete replacement of the topsoil for a sand-based playing surface. Despite work being held up by an unseasonably wet August, the project is on target to have the first game of cricket played on Boxing Day. Officers anticipate that the drainage improvements will enable the Trust to increase the utilisation of the Basin Reserve and open the ground up to more events. 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.

Preparations are underway to host the England v New Zealand cricket test in March 2013. This is expected to be the major sporting highlight of the year at the Basin.

After allowing for depreciation of \$67k, the Trust made an operating surplus of \$73k, \$66k ahead of budget. The main reason for this favourable result is that income was 46% above budget due to unbudgeted WCC grant revenue following the confirmation of the Council's Long Term Plan.

#### **7.2 Capacity Infrastructure Services Ltd**

Capacity presented a paper to the Water NZ conference in September on Emergency Water Services planning for Wellington. The company also continued to progress work on the Emergency Management Planning within the region and has completed detailed plans for each city. Also, a draft regional Wellington Emergency Sewerage Disposal Plan, following a major earthquake, was forwarded to stakeholders.

During quarter one, Capacity also participated in a benchmarking survey by PricewaterhouseCoopers and GHD and contributed to Treasury's review of the water sector. Information from these activities, along with WSSA (Australian), OFWT (UK) and WaterCare (Auckland) surveys will be used to improve reporting indicators for client councils.

The achievements for the quarter are overshadowed by a fatal accident that occurred on 23 July 2012 to an employee of a subcontractor, Construction Contracts Ltd. Investigations into this incident by MoBIE are ongoing.

Being a management company, Capacity doesn't budget to make a profit. A deficit or surplus generally reflects timing differences between operating costs & revenues. Total expenditure in quarter one was \$2,007k or 3% below the YTD budget of \$2,067k.

Wellington City Council's total 3 Waters budget for 2012/13 is \$114.667m. Capacity is responsible for the effective and efficient management or guardianship of:

- 19 Opex projects with a total budget of \$48.2m
- 8 Capex projects with a total budget of \$22.7m
- 2 Capex Carry Forward projects with a total budget of \$1.4m

WCC is responsible for 3 Opex Stewardship projects with a total budget of \$42.4m. In addition, WCC manages a portion of the asset management function within three of the Opex projects.

Council's internal reports show:

- An Opex overspend of \$407k (actual \$23.1m vs budget \$22.7m) due to unplanned maintenance and water treatment costs (particularly) exceeding budgets. The forecast overspend for the year is \$965k.
- Capex for quarter one was under spent \$1.4m (actual \$3.9m vs budget \$5.3m) but no year end variance is currently expected.

### **7.3 Positively Wellington Tourism**

PWT has reported a busy quarter one, although visitor number were down on 2011 figures as a result of WOW falling entirely in quarter two this year. However, the quarter was also a time of preparation for significant activity through the rest of the year, including the Hobbit premiere in November, and the launch of another major marketing initiative in Australia. A feature of each of these projects is the level of collaboration with which PWT is now engaging with key stakeholder, especially within the Council. With regards to Destination Wellington, officers have been working to finalise the KPIs and to integrate these with PWT and Grow Wellington outcomes. This work should be completed by 30 December 2012 and will be circulated at that time.

Major activity during quarter one included *Visa Wellington on a Plate* in August that resulted in visitor spend to the city of \$2.08m. In September, PWT launched a campaign targeting Aucklanders, called 'Spoiling Auckland'. This project has highlighted the company's ability to deliver and monitor targeted marketing to specific audiences. As a result, visitation to WellingtonNZ.com by Aucklanders increased 74% month on month.

Australian visitor arrivals to Wellington continue to counter the national trend, rising 4.3% during the quarter. Similarly, trans-Tasman capacity increased by 1.88% over the same quarter last year. However, domestic guest nights and weekend room nights have decreased against 2011 figures. This has been

attributed to the impact last year of WOW and RWC2011 during September and October.

Income was \$269k (10%) ahead of budget due primarily to unbudgeted increases in Council funding and partner income. Expenditure was \$987k (36%) under budget, due in part to work on Destination Wellington not being started until Council approved the funding in September. Also, some expenses related to *Visa Wellington on a Plate* occurred in the previous quarter, while some of the costs for Australia marketing have been pushed out to later in the year.

#### **7.4 Positively Wellington Venues**

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.

Working with officers and Wellington Waterfront Ltd, the board and senior management team have put considerable work this quarter into developing the detail and project framework for the temporary replacement venue in Shed 6 while the Town Hall is closed for earthquake strengthening. Following a detailed seismic evaluation of Shed 6, the Shed 6 wharf and TSB Arena, the Council has approved funding and the project is now underway. Confirmation of the replacement venue has enabled PWV to move ahead with securing conference and event bookings beyond 2013.

KPIs are now in place with baseline measures for 2012/13. However, the management team continues to develop a more robust forecasting model to enable better monitoring of the company's three core lines of business: Conventions and Events; Performances and Exhibitions; and Food and Beverage. They have also acknowledged the recommendations of the CCO review that went to SPC on 8 November, and have agreed to work collaboratively with WCC through 2012/13 to implement the following:

1. Develop a statement of core purpose for this activity, supported by KPIs that will enable Council to understand the performance of PWV and the contribution to the city's outcomes, particularly economic growth;
2. Agree what legacy or other sponsorship support PWV is expected to provide for community organisations or strategic partners;
3. Identify any impacts to the financial position of PWV arising out of recommendation 2. above and review the timeframe in which PWV is expected to breakeven and then deliver surpluses; and
4. Agree performance measures that link into the Council's KPIs.

76 Community hire days for the quarter are down slightly on the same quarter in 2011/12 (83 days). This is due in part to RWC2011 last year displacing in to the first quarter some community events that would otherwise have occurred in quarter 2. The 76 hire days represents 22 separate community events. Of these, 74 (97%) were funded in part by a grant or subsidy from WCC, PWV or PAF. Community Events this quarter included *Artsplash*, the Storylines Festival, NZSM performances, the Wellington Community Choir concert and local productions of *Hairspray* and *Pirates of Penzance*.



## **7.5 Wellington Cable Car Ltd**

Cable car passenger numbers for the quarter were 218,714. This patronage was 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. Notwithstanding, the latest (Q1) passenger numbers are 12,640 below the average for the previous 3 years (231,354). This is a continuation of a steady decline in passenger numbers from a peak of 262,695 in Q1 2008/09. This situation is still attributed to the prevailing economic conditions. Also, there was change to bus services for Victoria University students effective 2009, which has resulted in decreased student numbers travelling by cable car. However, the student patronage numbers have stabilised, and are currently showing increased patronage over last year to date.

The trolley bus overhead network maintenance contract income from GWRC (\$726K) is shown as 60% below budget for the quarter. Expenses are down by a similar amount. The budget includes provision for some capital expenditure items that are subjected to approval of business cases, on which investigative work is still being undertaken. Revenue for the work undertaken for GWRC for reactive maintenance and planned maintenance is budgeted to match to expenditure over the full year.

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.

The Company had cash and short term investments of \$2.67m at quarter end.

Work on upgrading the Kelburn Terminus is continuing with consents, design and tender documentation, all aiming towards construction commencing in April 2013.

## **7.6 Wellington Museums Trust**

Overall, visitor numbers for the Trust in Q1 (including Carter) were 130,518, 7% below target of 141,260. City Gallery performed significantly better than budget achieving 48,387, against budget of 32,000. The extremely good performance of City Gallery during this period is due in part to the popularity of the tatau exhibition.

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.

*Death and Diversity* the Museum of Wellington City & Sea exhibition was awarded a 2012 New Zealand Diversity Award by the Race Relations Commissioner.

Carter Observatory won the inaugural eTourism NZ Award for online excellence, in the Tourism Attractions, Activities and Tours category of the inaugural eTourism Online Awards, announced on 20 September.

The Trust recorded surplus of \$108k against budgeted deficit of \$22k. This result was attributable mainly to reduced expenditure in operating expenses. Trading income was below budget, achieving \$306k against budgeted \$423k. All variances are timing variances only.

## **7.7 Wellington Waterfront Ltd**

With the three-year Waterfront Development Plan approved by Council in June, WWL moved forward on a number of significant projects during quarter one. The company oversaw the seismic assessment of Shed 6, the Shed 6 wharf and the TSB Arena, with the results of this work feeding in to the report to SPC in October on the temporary replacement venue for Positively Wellington Venues. WWL also worked with officers on the revision of the North Kumutoto Design brief and the parallel consultation process. The design brief will be considered in a report to SPC in November.

Other key events during the quarter included progressing the wharf maintenance programme on the outer-T of Queen's Wharf and replacing the wharf deck at the north end of Shed 5. Seismic strengthening of Shed 11 was completed as planned, while the demolition of the Overseas Passenger Terminal building was also finished. Two significant additions to the public space were prepared during the quarter, Nga Kina to be installed in the Kumutoto area, and a jump platform destined for the cut-out space on the Taranaki wharf. Both are due to be installed in November.

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 was depreciation for the quarter being over budget by \$416k. Depreciation will continue at a higher than budgeted amount for the rest of the year and is expected to finish \$2m higher than budget. Income was \$84k (7%) higher than budget primarily due to better than anticipated operating recoveries. At the end of quarter one, the advance from Council was \$17 million. This is expected to increase through quarter two by \$646k, but is tracking as expected.

## **7.8 Wellington Zoo Trust**

The new sustainability exhibit, Green You, Green Zoo, was completed and opened on 16 September. The Asia precinct was officially opened on 21 September. The precinct was opened the public from 29 September.

The Zoo's first annual awards night was held on 17 August 2012 to bring everyone together to recognise and celebrate significant milestones, individual and organisational achievements and to foster a positive organisational culture.

A capital donation of \$300k was received from Pub Charity for the Meet The Locals precinct – part of the Zoo Capital Project. The Zoo's target for its ZCP capital raising is \$469k for the year and the \$300k grant from Pub Charity means 64% of the target has been raised and contributes to the strong cash position.

Visitation 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.

Expenditure is tracking close to budget. The \$209k surplus is principally a result of the \$300k capital grant from Pub Charity for the Meet The Locals precinct.

### **Other Organisations:**

## **7.9 New Zealand Local Government Funding Agency Ltd**

### Annual Report to 30 June 2012

The LGFA was incorporated on 1 December. Its annual report and financial statements to 30 June 2012 cover its first 7 months trading.

Financial forecasts contained in the SOI 2011/12 were based on the first bond issue being held in November 2011. However, the first LGFA bond issue did not take place until February 2012, a delay of almost four months.

The LGFA held its inaugural issue of debt on 15 February 2012. The first issue was for two tranches totalling \$300m. The issue was oversubscribed with total bids exceeding \$1.3 billion (coverage 433%). Since this very strong start, the LGFA has continued to trade well with a high level of interest in its bond issues and rapid growth in its loan assets (loans to its shareholding local authorities).

In its first seven months of operation, LGFA recorded a lower than forecast loss of \$4.243 million, which includes pre-establishment expenses of \$3.843 million), excluding these LGFA's operating loss was \$400,000. While this outcome appears to be considerably less favourable than the profit of \$110,000 forecast in the SOI 2011/12, the timing and treatment of overhead expenditure varied significantly from forecast. Adjusting for these timing and treatment differences, LGFA would have recorded a profit of \$7,000. This adjusted operating profit result was lower than forecast primarily due to the delayed start of LGFA's operations.

Overheads were contained to \$1.384 million in the first seven months of operation representing annualised overheads of \$2.373 million (comfortably within the <\$3 million performance target set out in SOI 2011/12).

Including pre-establishment expenses of \$3.84 million (compared with a forecast of \$4.55 million), LGFA's retained deficit at 30 June 2012 was \$4.24 million. This represents an 8% improvement on the retained deficit (\$4.59 million) forecast in the SOI 2011/12.

## Quarter One Report to 30 September 2012

The LGFA's Q1 surplus before dividends and tax was \$350k, approximately \$280k ahead of forecast. As a result, the LGFA is investigating methods to balance the payment of dividends with providing further reductions in borrowing costs to participating local authorities. It is expected that the LGFA will reduce the 0.30% Base Margin it charges AA rated local authorities (incl. WCC) to 0.25% from 31 March 2013.

Since launching in December 2011, the LGFA has significantly exceeded its lending targets. At 30 September 2012, total lending was \$1.325m versus \$640m in its business plan. The LGFA's SOI target for total lending at 30 June 2014 is \$1,400m and the LGFA reached this target at its most recent bond issue on 7 November 2012.

Performance against its SOI targets are, for the most part, very satisfying but are tempered with shareholders' expectations of continuing pricing improvements as the business matures from its start-up phase.

An overarching summary of the LGFA's performance on its SOI targets is that very satisfying progress is being made but its shareholders' focus will remain on lowering the cost of debt to participating local authorities and maintaining focus on its other business objectives.

### **7.10 Wellington Regional Stadium Trust**

The Wellington Regional Stadium Trust reports to CCOPS half yearly. A full report of their activities from July to December 2012 will be included at the next meeting, in March 2013.

### **7.11 Karori Sanctuary Trust**

The Board has set up four committees to develop strategies and make progress in four priority areas. These are: governance, fundraising and marketing, key strategic partnerships, and financial model. Each committee is chaired by a trustee, with Council officers and Guardian's involvement as appropriate.

Visitations for the quarter at 16,259 were 5% (864) below target of 17,123. In general, the market seems to be pretty sluggish. However the Trust ran a series of three very successful wildlife photography workshops with Simon Wolf at Zealandia and is looking to developing this as a permanent product.

Membership as at the end of the quarter was 10,964 individuals (4,992 units). The end of year target is 11,433 (5,139) units. The fundraising/marketing committee has met a few times focusing on developing a new community/membership strategy to increase memberships and donations.

Despite revenue falling below budget by \$14.7k, expenditure was contained such that the deficit before depreciation of \$219k for the quarter was \$25.7k 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 reduce the cash to \$296k at 30 June 2013.

### **7.12 Wellington International Airport Limited (public excluded)**

The quarterly report for the quarter ended 30 September 2012 is attached in the appendix. Council officers have reviewed the report. It does not raise any material new issues for the Subcommittee to consider. Officers note that WIAL is reviewing and evaluating the conclusions of a draft Commerce Commission report on airport charging. The report has examined WIAL's investment, innovation, quality of service, efficiency and charges, and found that the airport delivers a quality passenger experience. However, the report has also found that while current charges are below the Commission's threshold calculation, planned future price rises may generate returns above benchmark levels. WIAL is the first airport to have been reviewed following its setting of prices under the Airport Authorities Act earlier this year. This is also the first step in an overall assessment of the information disclosure regime for New Zealand's three main airports.

## **8. Conclusion**

A short report prepared by officers is given for each entity's quarterly report (excluding LGFA and WRST) which summarises the information for the quarter and relevant current issues. The issues for the Subcommittee to consider have been determined after review of the documents by officers and discussion with the entities. After considering these reports, the Subcommittee can, if it considers it appropriate to do so, draw any matters to the attention of the Strategy and Policy Committee.

If it considers that it will help clarify the information presented or assist with its monitoring role the Subcommittee can also ask the Chair to seek responses from a Board or Trust Chair to any queries it may have. These responses will then be tabled at the next meeting of the Subcommittee.

Contact Officers:

*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 2011/12 Annual 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.*