

Quarterly Review – Positively Wellington Venues Ltd

Positively Wellington Venues Limited has presented its report for the quarter ended 30 September 2012 for review. A summary of key findings is presented below and the full report is attached.

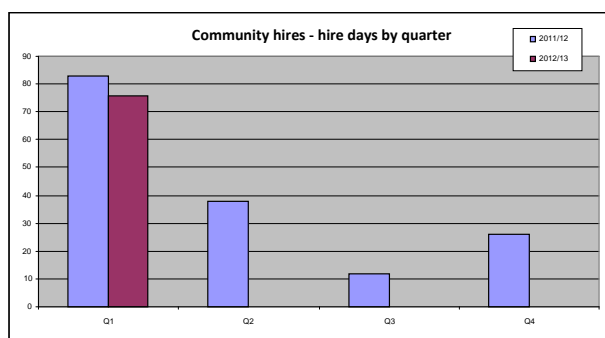
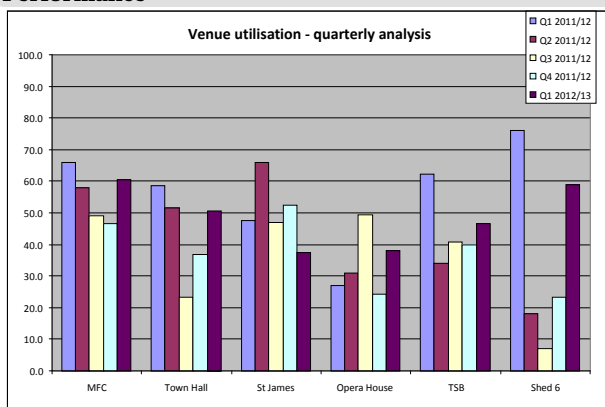
Highlights: achievements

- Considerable work was undertaken on further developing the scope and programme for delivering a temporary replacement venue in Shed 6 while the Town Hall is closed for earthquake strengthening, including a detailed seismic assessment of Shed 6 and the Shed 6 wharf.
- The first edition of *LIVE*, the new brochure, was released. A revitalised concept and format has achieved a much larger distribution than the previous season brochure.
- The company's food and beverage offering has been rebranded to *Seriously Good Food Catering*, with a revised menu and beverage offering rolled out.

Activities during the quarter

- The leadership team is finalising a more robust forecasting model that will enable better monitoring and management of the company's three core lines of business: Conventions and Events; Performances and Exhibitions; and Food and Beverage.
- Work continues on refining venue pricing and developing a new pan-venue rental contract. New pricing schedules are now in place that make pricing more consistent across the different venues.
- A project steering group was established to oversee the seismic assessment of Shed 6 and the wharf, and to manage the installation of the temporary replacement venue on time and on budget.

Performance



Macro Key Performance Indicators

The following KPIs have been reported by the company:

Venue Utilisation: Event hires per venue	2012/13 Q1 event hires
Michael Fowler Centre	60.3
Town Hall	50.7
TSB Arena/Shed 6	105.5
St James Theatre	37.3
Opera House	38
Total	291.9

- Venue utilisation has been refined to reflect the use of multiple spaces within a single venue. PWV is working to further develop this model.
- Venue utilisation for Q1 is slightly lower than the same period last year, but revenue is 2.9% higher. The variance is due to WOW that ran for a week longer last year.
- 76 community hire days (22 separate events) for Q1 is at a similar level to 2011/12. Of these, 74 (97%) received some form of financial assistance from PWV, WCC or PAF.
- Pipeline bookings for Q2 are strong, with all three months showing good levels of activity.

Financial Commentary

- The Q1 operating result was a net profit of \$43k, \$33k better than budget.
- Revenue of \$4.4m was \$112k (2.5%) ahead of budget, but offset in part by direct event costs that were 3% over budget.
- Uncertainty around the availability of a replacement venue for the Town Hall continued to impact on forward bookings, with at least one major conference organiser (a multi-year conference for Early Childhood Education) cancelling their booking.
- The gross profit margin of 42% was in line with budget.

Statement of Financial Performance

For the quarter ended 30 September 2012

\$'000	Q1 Actual	Q1 Budget	YTD Actual	YTD Budget	FY Budget
Income	4,371	4,259	4,371	4,259	15,291
Direct Event Costs	2,535	2,461	2,535	2,461	8,343
Gross Profit	1,836	1,798	1,836	1,798	6,948
Expenditure	1,793	1,788	1,793	1,788	6,948
Operating surplus	43	10	43	10	1
Operating Margin	1%	.2%	1%	.2%	0%

Statement of Financial Position

For the quarter ended 30 September 2012

\$'000	YTD Actual	FY Budget	2011/12 YTD Actual
Current assets	1,826	2,604	2,624
Non-current assets	986	989	875
Current liabilities	2,500	3,305	2,306
Non-current liabilities	-	-	-
Equity	312	288	1,193
Current ratio	.73	.79	1.1
Equity ratio	11%	8%	34%

Statement of Cash Flows

For the quarter ended 30 September 2012

\$'000	2012/13 YTD Actual	2012/13 YTD Budget	2011/12 YE Actual
Operating	(627)	(584)	696
Investing	(13)	56	-
Financing	-	-	-
Net	(640)	(640)	696
Closing balance	96	95	735

Contact officer:

Richard Hardie

Profile – Positively Wellington Venues Ltd

Positively Wellington Venues Ltd is a Council Controlled Trading Organisation (CCTO) that has been established as a result of the merger of the Wellington Convention Centre – a former business unit of the Wellington City Council – and the St James Theatre Charitable Trust. The decision to establish PWV was based on the potential to realise efficiency gains and savings across the two organisations, opportunities to capitalise on WCC's shared services capabilities, and the desire to see greater integration and cooperation of Wellington's venue spaces with other CCTOs and external organisations.



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PWV started trading on 1 February 2011, taking over the operations of the Convention Centre which managed the Michael Fowler Centre, Wellington Town Hall, TSB Bank Arena and Shed 6. The operations of the St James Theatre Charitable Trust, which managed the St James Theatre and Opera House, were assigned to PWV from 1 July 2011.

Acting as an agent of WCC, the new entity is responsible for the management of Wellington's premiere venue spaces, including: the Michael Fowler Centre; the Wellington Town Hall; the St James Theatre; the Opera House; and the TSB Arena and Shed 6.

Entity Data

Established	February 2011	<i>Term expires:</i>
Board	Chris Parkin	31 December 2014
	Sam Knowles	31 December 2012
	Linda Rieper	31 December 2014
	Samantha Sharif	31 December 2014
	Mike Egan	31 December 2014
	Lorraine Witten	31 December 2014
	Ngaire Best (councillor)	31 December 2013
	Paul Eagle (councillor)	31 December 2013
CEO	Glenys Coughlan	
Balance date	30 June	
Number of FTE staff	80	
Website	http://www.pwv.co.nz/	
Type of entity	Company	
LGA designation	CCTO	
By reason of	Council appointees	
Council interest	100% shareholding	
Type of interest	Shares	



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**Because things
are better LIVE**
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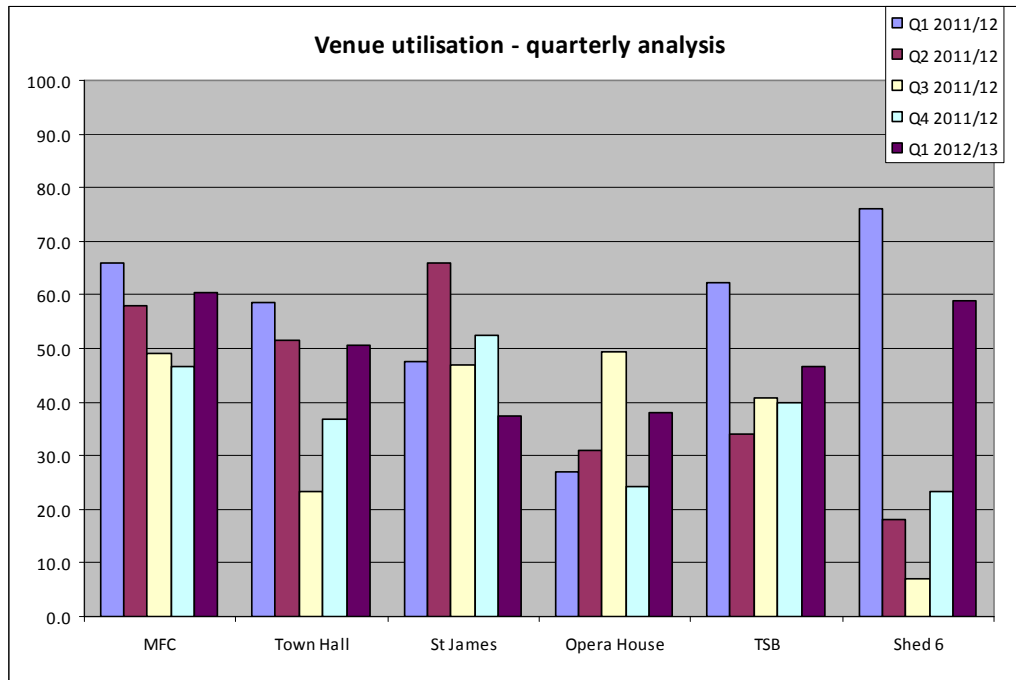
**Quarterly Report to CCOPS
July 2012 – September 2012**

1. PWV Business review – Q1 2012/13

Q1 of the 2012/13 financial year has shaped up well to provide us with a solid start to the year. The Leadership Team at PWV has invested considerable effort in developing a more robust forecasting model that enables us to better monitor and manage our three core lines of business – Conventions and Events; Performances and Exhibitions; and Food and Beverage. Q2 should also deliver a solid result. The following were the business highlights for the first quarter of 2012/13:

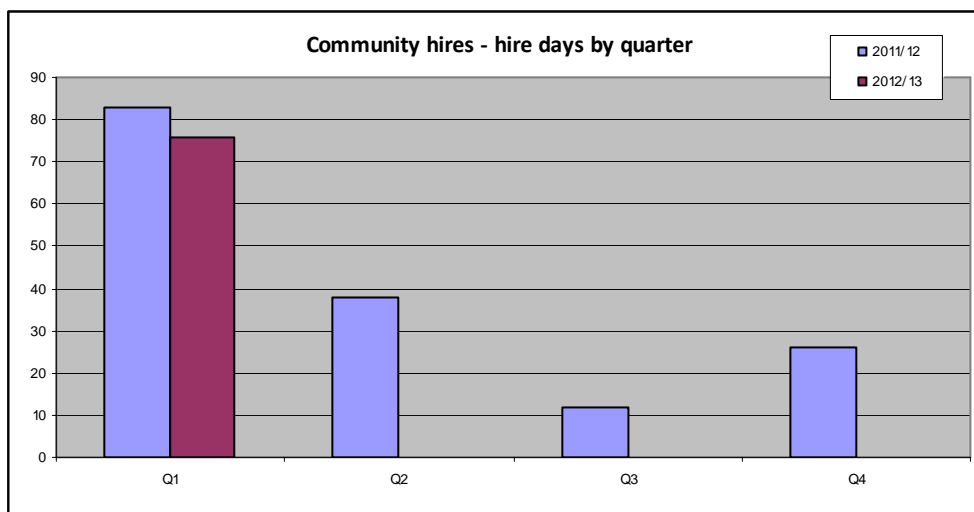
- ❖ The trading result for the first quarter was a pleasing net profit of \$43,000 which was \$33,000 better than budget. Revenue was slightly ahead of budget (+2.6%)
- ❖ Good progress has been made on achieving the 2012/13 KPI targets during the first quarter and no concerns have arisen which would affect full year achievement
- ❖ Looking forward:
 - a. The pipeline for Q2 looks very strong with all three months showing good levels of bookings. November has a significant level of performance-based business with five sell-out shows in four days plus the Royal New Zealand Ballet's *Giselle* and the exclusive of Agatha Christie's *The Mousetrap*.
 - b. Q3 is generally a very quiet period for PWV as reflected in the budget. Both show and grow business events are adversely affected by the Christmas and summer break. There is no New Zealand International Arts Festival to kickstart 2013
 - c. Q4 requires further bookings to achieve budget and this is where the emphasis of our sales effort is currently focussed
- ❖ Shed 6 redevelopment
 - a. A significant amount of management effort was expended on assessing the seismic condition of Shed 6, the Shed 6 Wharf and TSB Bank Arena and developing cost-effective engineering solutions following the conditional funding for the Shed 6 fitout received in WCC's Long Term Plan.
 - b. A project steering group was established to oversee the Shed 6 seismic issues including representatives from WCC, Wellington Waterfront and Positively Wellington Venues.
 - c. Seismic assessments were received on both buildings and engineering solutions for the seismic weaknesses in both TSB Bank Arena, Shed 6 and the underlying wharf. Funding for the necessary seismic strengthening work was approved by Councillors on 24 October 2012.
- ❖ Uncertainty around the availability of the redeveloped Shed 6 in 2013 has continued to impact on our forward bookings as larger conferences require venue certainty up to 2-3 years ahead of the event date. A notable business loss during the quarter was the Early Childhood Education Conferences for 2014 to 2016 worth \$540,000. The conference organiser required venue certainty and the three year contract was won by Sky City in Auckland. PWV could not lodge a competitive bid as we were not able to confirm the availability of Shed 6/TSB Bank Arena.
- ❖ Work has continued on refining our venue pricing and developing a new pan venue rental contract. Pricing had not been adjusted for some sites for over five years and there were inconsistencies with our pricing across the different venues. The new pricing updates all of our base hire rates. The new pan-venue rental contract has been embedded into our booking system to achieve operational efficiencies. The new pricing plan and pan-venue contract were released to market early in Q2. Many of our resident hirers and significant customers will remain on previously agreed price plans for a period to enable phased migration to new rates.

- ❖ Redevelopment has continued on our food and beverage offering during the quarter with the rebranding of our in-house catering service to *Seriously Good Food Catering*. A revised menu and beverage offering has also been delivered.
- ❖ Maintaining our marketing edge during the quarter saw the first edition of *LIVE* released which replaces the former *Season Brochure*. The totally revitalised format was delivered via the DomPost, instead of via mail, achieving a substantially larger readership for the same production cost.
- ❖ Staffing: the bulk of the recruitment for the new organisational structure was completed in 2010/11. Two key appointments made during Q1 2012/13 were a Health, Safety, Environment & Quality Coordinator and a Cleaning Supervisor. The former is pivotal for us delivering on our duty of care targets and the latter will assist in improving cleanliness in our venues and cost management of the same.
- ❖ Venue management: PWV is currently negotiating with the Academy of Fine Arts (Queens Wharf) to provide venue management services to them. This new site is considered very suitable for PWV due to its proximity to TSB Bank Arena and Shed 6 with the art works providing a point of difference to the venue space
- ❖ Duty of care: PWV rolled out the first of its new patron health and safety communications materials during the quarter including new audio safety announcements, revised safety posters, notepads with safety notices and safety information inserts for lanyards
- ❖ Utilisation (hired days) for Q1 is slightly lower than the equivalent period last year, however event revenue is 2.9% higher than prior year, reflecting a better yield this year.



- ❖ Community hire days for Q1 2012/13 are at a similar level to the same quarter last year (76 days in 2012/13 versus 83 days in 2011/12). We have expanded our analysis of community hires to include:
 - a. Community hires assisted by WCC (via the Venue Rental Subsidy Fund*)
 - b. Community hires assisted by the Performing Arts Foundation
 - c. Community hires assisted by PWV
 - d. Community hires assisted by a mix of the above
 - e. Community hires with external funding

* Tier 1 events which are funded by WCC from other sources (eg NZSO, NZ International Arts Festival, WOW, RWC2011 etc have been excluded from this analysis)



In Q1 2011/12 the 83 community hire days covered 24 separate community events and 82 of these days (98%) received funding assistance from the the WCC Venue Subsidy Fund, Positively Wellington Venues or the Performing Arts Foundation.

For Q1 2012/13 the 76 community hire days covered 22 separate community events and 74 (97%) of the hire days received funding assistance from the WCC Venue Subsidy Fund, Positively Wellington Venues or the Performing Arts Foundation.

The community events this quarter included: the Childrens' Art Festival *Artsplash*, Wellington Blood Service donor days, a local charity dinner, the Storylines Festival - Family free Day, the Wellington Community Choir Concert, NZ School of Music performances, The Wellington Photographic Exhibition, local productions of *Hairspray* and *Pirates of Penzance*, a fundraiser for Samoan Victim Support, and local arts body meetings.

2. Key Performance Indicators

The following KPIs were approved as part of the Positively Wellington Venues 2012/13 SOI.

STRATEGIC FOCUS	KPI TARGETS	Q1 RESULTS																														
1. Business Viability	Achieve budgeted net profit	The Q1 net profit was \$43,000 which was \$33,000 ahead of budget																														
2. Venue Utilisation	<p>Achieve or increase the number of hired days and/or venue hire revenue compared to 2011/12..</p> <p>Note: depending on the mix of events in any given year and various discounting arrangements, hired days in itself is not a meaningful measure of how the business is performing.</p> <p>Maintain community access to PWV's venues by ensuring community hires are at a similar level to 2011/12 or better.</p>	<p>Hired days revenue is up 2.9% over 20-11/12 with hired days down by 13%</p> <p>Conventions & Events Utilisation</p> <table border="1"> <thead> <tr> <th></th> <th>Q1</th> <th>Q2</th> <th>Q3</th> <th>Q4</th> </tr> </thead> <tbody> <tr> <td>2011/12</td> <td>100</td> <td>125</td> <td>53</td> <td>99</td> </tr> <tr> <td>2012/13</td> <td>117</td> <td></td> <td></td> <td></td> </tr> </tbody> </table> <p>C&E utilisation for Q1 is higher than 2011/12 as there is no timing pressure from the Rugby World Cup which displaced events to either side of the tournament.</p> <p>Performance & Exhibitions Utilisation</p> <table border="1"> <thead> <tr> <th></th> <th>Q1</th> <th>Q2</th> <th>Q3</th> <th>Q4</th> </tr> </thead> <tbody> <tr> <td>2011/12</td> <td>238</td> <td>132</td> <td>161</td> <td>124</td> </tr> <tr> <td>2012/13</td> <td>174</td> <td></td> <td></td> <td></td> </tr> </tbody> </table> <p>P&E utilisation for Q1 is lower than 2011/12 as WOW commenced earlier in 2011/12, and ran a week longer, to avoid clashing with the Rugby World Cup. The Town Hall was also utilised heavily in 2011/12 for rugby screenings.</p> <p>There were 76 community hire days in the quarter compared to 83 for the equivalent quarter last year.</p>		Q1	Q2	Q3	Q4	2011/12	100	125	53	99	2012/13	117					Q1	Q2	Q3	Q4	2011/12	238	132	161	124	2012/13	174			
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3. Duty of Care	Achieve and maintain ISO 9001 Quality Management Systems accreditation across all venues	<p>We are on track to achieve pan-venue accreditation by Q2</p> <p>We are also on target to meet our Duty of Care management targets.</p>																														

4. Marketing Edge	<p>Improved sales and marketing impact with 5 % growth in sales revenue.</p> <p>Pipeline development – maintain or increase the ratio of the 12 month forward pipeline to budget. Target is 70%.</p>	<p>PWV's sales and marketing effort has undergone significant review over the past 12 months and process improvements continue to be made.</p> <p>The current sales effort is specifically focussed on filling Q4 and beyond with the redeveloped Shed 6 now expected to be available in Q1 2013/14.</p> <p>PWV's factored booking pipeline currently represents 71.2% which is consistent with the previous year's trend.</p>
5. Outstanding Experiences	<p>Audience and hirer satisfaction.</p> <p>Maintain or improve satisfaction ratings in surveys and focus group research.</p>	<p>Q1 hirer satisfaction has been very high:</p> <ul style="list-style-type: none"> • Overall satisfaction*: 100% satisfied • Sales enquiry phase: 62% very satisfied, 38% satisfied • Event planning: 85% very satisfied, 8% satisfied, 7% neutral • Event delivery: 83% very satisfied, 17% satisfied <p>* the range for the overall measure is only from Satisfied to Dissatisfied.</p>
6. Town Hall alternative venue development	<p>Support bid for \$4m development fund and participate in the LTP planning process</p> <p>Commission stage two feasibility study including developing detailed design specifications and costings and project milestones (in partnership with Wellington Waterfront and WCC)</p> <p>Manage seamless transition from closure of Wellington Town Hall to opening of alternative venue facilities to maintain the viability of PWV's business and maintain/grow the contribution that business events make to the Wellington economy.</p>	<p>Conditional LTP funding was received in June 2012.</p> <p>Final approval to proceed was received in October 2012.</p> <p>Detailed design work has commenced in conjunction with Wellington Waterfront and WCC.</p> <p>Planning for the transition of clients and their bookings to the new Shed 6 venue has commenced.</p>

3. Financial Performance

Net profit for the first quarter of 2012/13 was \$43,000 (\$33,000 better than budget) with revenue being \$112,000 above budget. The mix of events resulted in higher than budgeted direct costs (+\$74k) and overheads were \$5k over budget.

Positively Wellington Venues Financial performance \$'000				
	Current quarter			2012/13
	Actual	Budget	Var	FY budget
Conventions & Events	2,801	2,696	105	8,460
Performance & Exhibitions	1,139	1,117	22	5,020
Food & Beverage	303	325	(22)	1,217
Carparking	62	62	0	262
Other income	59	53	6	308
Interest income	6	6	0	24
Total revenue	4,371	4,259	112	15,291
Direct event costs	2,047	1,978	(69)	6,593
Wages	487	483	(5)	1,750
Total direct costs	2,535	2,461	(74)	8,343
Gross profit	1,836	1,798	38	6,948
Salaries	825	863	38	3,383
Other employment costs	43	52	10	188
Occupancy costs	261	253	(7)	976
Utilities	242	224	(18)	748
Marketing	116	114	(2)	566
Admin	165	148	(17)	529
IT and Comms	40	43	3	168
Directors' fees	34	34	0	135
Travel	8	13	5	51
Vehicle costs	3	4	1	15
Depreciation	57	40	(18)	188
Total expenses	1,793	1,788	(5)	6,948
Net profit/(loss)	43	10	33	1

Revenue flow for Q1 was strong and 2.6% above budget

- Business mix was 70/30 *Grow* business over *Show* business
- Conventions & Events (*Grow*) business included the following significant business:
 - NZ School Trustees Association Conference (MFC, Town Hall and TSB Bank Arena)
 - PWV's *Show Me Wellington* (TSB Bank Arena)
 - NZ Catholic Education Convention (MFC and Town Hall)

- NZ College of Midwives Biennial Conference (MFC and Town Hall)
- NZIMLS Annual Scientific Conference (Town Hall)
- Project Management Institute of NZ Conference (MFC and Town Hall)
- Australian Society for Clinical Immunology and Allergy Conference (Town Hall)
- Performance & Exhibitions (*Show*) business included the following highlights
 - Cinderella (St James Theatre)
 - Hairspray (Opera House)
 - Big Sing National Finale (Town Hall)
 - Artsplash (MFC and Town Hall)
- F&B revenue was slightly under budget with some minor softness noted in café trading
- Carparking and other income is at budgeted levels

Direct event costs were slightly above budget reflecting business levels exceeding budget, but wage costs were held to budgeted levels enabling gross profit to exceed \$1.8m for the quarter being a favourable variance to budget of \$38,000.

Overheads were largely at budget for Q1. There are minor timing differences, compared to budget, noted in salaries, utilities and administrative costs. No permanent differences have been identified during Q1 which would impact the full year result.

4. Financial Position

PWV's balance sheet remains clean and there are no issues which require highlighting. In general the balance sheet has contracted during the quarter as the accumulation of creditor balances at year-end have been satisfied and revenue in advance has also reduced as we move closer to the end of our busy period (May to November).

Positively Wellington Venues			
Statement of Financial Position			
\$'000	30-Sep	30-Jun	Q1 movt
	Actual	Actual	
Bank & cash	96	735	(639)
Debtors	910	1,037	(127)
Prepayments	269	245	24
Inventory	50	49	1
Accrued income	501	583	(82)
Total current assets	1,826	2,649	(824)
Fixed assets	986	1,056	(70)
Total assets	2,812	3,705	(894)
Creditors	1,225	1,798	(574)
Employee Entitlements	435	364	71
GST	(85)	(1)	(84)
Revenue in Advance	886	1,212	(326)
Provisions	39	45	(6)
Total current liabilities	2,500	3,419	(918)
Shareholders' funds	269	1,556	(1,287)
Current year result	43	(1,269)	1,312
Total liabilities and equity	2,812	3,705	(893)

Bank & cash levels decreased during the quarter largely in line with the reduction of year-end creditors. Debtors has reduced slightly over the quarter and is within the normal operating range.

Fixed assets has reduced during the quarter due to depreciation and no significant capital expenditure.

Creditors' balances at quarter-end were much reduced due to the settlement of year-end accruals. Employee entitlements has increased slightly during the quarter largely due to the increased value of accrued annual leave as expected during this period. This will be managed down over the upcoming holiday season.

Revenue in advance, which represents deposits for future bookings, has reduced by \$326,000 during the quarter as we near the end of the busiest period of the year and deposits for the next 6 months reduce. Provisions reduced slightly during the quarter as expenses relating to the St James wind-down have been incurred.

5. Cash flow

The July to September period sits near the start of PWV's busier period, and trading cashflows are typically strong in the quarter as evidenced below. Overall cash levels have dropped during the quarter as the final cashflow effects of the prior year loss were realised. Based on achieving our breakeven budget, and only modest but largely offsetting capital expenditure and depreciation, we would expect cash levels to be significantly lower than 2011/12 and fluctuate in the \$0 to \$450,000 range for 2012/13.

Positively Wellington Venues		
Statement of Cash Flows		
(all amounts \$'000)		
	Q1	Q1
	Actual	Budget
Cash flows from operating activities		
Receipts from venue management	4,764	4,636
Receipts from other operating activities	139	132
Interest income	6	6
Payments to suppliers and employees	(5,240)	(5,157)
Good and services tax (net)	(295)	(201)
Net cash flow from operating activities	(627)	(584)
Cash flows from investing activities		
Purchase of property, plant and equipment	(13)	56
Net cash flow from investing activities	(13)	56
Net increase/(decrease) in cash and cash equivalents	(640)	(640)
Cash and cash equivalents at the beginning of the period	735	735
Cash and cash equivalents at the end of the period	96	95

6. Capital expenditure

There has been no significant capital expenditure during the quarter.