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**REVIEW OF THE PERFORMANCE OF ALL COUNCIL  
CONTROLLED ORGANISATIONS FOR THE QUARTER  
ENDED 31 MARCH 2013**

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**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 31 March 2013, 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 2012/13 performance of Council Controlled Organisations:*
  - a) *The Basin Reserve Trust, after allowing for depreciation of \$69k, made an operating surplus for the quarter of \$90k, \$100k ahead of budget. Year to date the Trust has a net deficit after depreciation of \$6k, \$123k ahead of budget. The highlight for the quarter was the hosting of the New Zealand versus England test match. Although weather affected, the match drew good crowds to the Basin with one sold-out day and good national and international media coverage.*
  - b) *At the end of March, Capacity was forecasting a capex carry forward of \$1.35m for Wellington City Council. Design and access issues have resulted in delays to the Tasman Street stormwater renewal project. Similarly, wastewater work deferred to accommodate the Buckle Street upgrade will be undertaken in 2013/14. Year to date capex spend is under-budget by \$3.0m or 17%. Capacity reports an expected opex overspend for the full year of \$1.4m (or 3.5% of budget). The forecast year-end overspend is due to higher than budgeted levels of reactive maintenance and unbudgeted increases in treatment plant tariffs. This overspend is forecast to be offset by favourable variances in asset stewardship within Wellington City Council budgets.*

- c) *At Positively Wellington Tourism, work on the Destination Wellington initiative dominated its work programme and delayed some of its expenditure. Year to date expenditure is \$1.1m behind forecast and cash on hand exceeds budget at 31 March 2013 by \$1.2m. Expenditure in quarter four is expected to recover the delays to date and the Trust's financial position is expected to normalise (to budget) by year.*
- d) *Positively Wellington Venues posted a net loss for the quarter of \$77k, \$8k below budget. Year to date the company had an operating deficit of \$27k, \$46k ahead of budget. The company remains on target to achieve a breakeven position at year end. Although venue occupancy is below 2011/12 levels for the same period, revenue has increased by 5%. Work to deliver the modified Shed 6 venue ahead of the closure of the Town Hall in August 2013 is progressing well.*
- e) *Cable car passenger numbers for the quarter were 4.7% above target for the same period last year. As a result, year to date passenger numbers are up 2.1% on last year. The Company anticipates achieving its budgeted result for the year.*
- f) *Total year to date visitor numbers at Museums Trust (511,033) have regained the ground lost in quarters one and two and are above the year to date forecast visitation numbers (479,500). The Trust expects its year end result will align with the budget.*
- g) *Wellington Waterfront Limited recorded an operating deficit for quarter three of \$35k against a budgeted deficit of \$303k. Work has progressed well on receiving proposals for the development of the North Kumutoto precinct and the seismic strengthening of the Shed 6 wharf. Over 90,000 people participated in events and activities on the Waterfront during the quarter. At the end of quarter three, the advance from Council was \$17.891 million (not including the \$2.9m for wharf piles).*
- h) *Year to date visitation of 180,085 at Wellington Zoo is ahead of last year by 8.5% and ahead of plan by 10%. The year to date operating surplus of \$229k is above the budgeted \$133k, due to trading income being above budget, largely due to the higher than budgeted visitor numbers. Quarter four is typically run at a material loss and the Trust expects a small surplus for the full financial year.*
- i) *At 31 March 2013, the Local Government Funding Agency total lending was \$1.8 billion, well in excess of its Statement of Intent target for 30 June 2013. The quarter three surplus before dividends and tax was \$1.58m, \$0.55m (230%) ahead of its forecast. The start-up phase of the entity has been more successful than forecast and, as a result, the Company will be declaring a full dividend to shareholders in the current financial year.*

- j) *Despite Zealandia's visitor numbers falling below forecast for the third quarter in a row, total revenue for quarter three was \$47k above budget and expenditure was \$56k better than budget. Year to date, the Trust's operating cash surplus was \$18k, a \$555k improvement on the forecast deficit of \$537k for the period. As a result, cash on hand was \$945k at 31 March 2013. However, this performance somewhat belies the underlying challenges to the business in membership and visitor numbers. These challenges are well understood by the Trust and its strategic initiatives will target visitation and to grow its revenues from all sources.*
- k) *Event highlights at Westpac Stadium during the quarter included Nitro Circus Live, the Hertz Sevens tournament, and the New Zealand vs England Twenty/20 match. The Trust remains on track to deliver an above budget full year result. Since quarter end, David Gray's replacement as Chief Executive has been announced as Shane Harmon, who was General Manager Marketing and Communications for Rugby New Zealand 2011. Shane will take over when David retires on 30 June 2013, after 16 years of service with the Trust.*
- l) *Wellington International Airport Limited has presented its annual report for the year ended 31 March 2013. The company reports a good year with 7% growth in revenue. Capacity in to Wellington increased by 5.7% on the back of the addition of a 9<sup>th</sup> aircraft to the Jetstar fleet.*
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. 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.

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

### **4.1 Council Controlled Organisations**

To comply with statutory requirements, officers will report regularly 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

### **4.2 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. Following a share sell-down in November 2012, the LGFA's share register now contains 30 local authorities plus the Crown. This Council's shareholding is 7.5%, represented by paid up capital of \$1.87m and an equivalent \$1.87m commitment to uncalled capital.

### **4.3 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 on a summary basis because of the materiality of the Council's financial commitment to the Trust and the Trust's contribution to Council outcomes.

### **4.4 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)
- Wellington International Airport Limited

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

### **Council Controlled Organisations:**

#### **5.1 Basin Reserve Trust**

Quarter three is generally the busiest period of activity for the Basin Reserve with the majority of the season's cricket matches being played. Very good weather provided excellent conditions for ground staff which resulted in high quality surfaces and record scores and performances in some matches. The sporting highlight was the England vs. New Zealand test match in March and while some inclement weather shortened the match and forced a draw, crowd numbers were strong. The match was broadcast internationally.

The Trust continues to work with officers on mitigation measures to offset the impact of the proposed traffic bridge at the northern end of the ground, and on the future of the museum stand.

After allowing for depreciation of \$69k, the Trust made an operating surplus of \$90k, \$100k ahead of budget. The main reason for this favourable result is the unbudgeted increase in the Trust's operating grant, for which the final instalment was received in January. Expenses were in line with budget. YTD, the Trust has a net deficit after depreciation of \$6k, \$123k ahead of budget.

#### **5.2 Capacity Infrastructure Services Ltd**

At the end of March the Company was forecasting a capex carry forward of \$1.35m for the Wellington City Council. Design and access issues have resulted in delays to the Tasman Street stormwater renewal project. This project will now be completed in 2013/14. Similarly, wastewater work deferred to accommodate the Buckle Street upgrade will be undertaken in 2013/14. Year to date capex spend is under-budget by \$3.0m or 17%.

Porirua City Council will consider the proposed consultation documentation on the Capacity proposal for it to become a customer and a shareholder at its Council meeting on 29 May.

As noted previously, the below target service responsiveness results for drainage this year have been due to issues with new staff and the City Care IT reporting system. Capacity has noted no significant issues with City Care's actual service response year to date and expects the indicators to be correct in time for quarter four.

Performance measures on harbour/coastal sites and bathing beaches are tracking below target year to date; this is related to the timing of testing and rain events. In both cases, testing a few days later was within the guideline levels. The Company is also investigating potential sources of pollution in order to understand why testing for the freshwater site performance measure is tracking below target year to date.

Capacity budgets for a breakeven result for the year. Revenue is below budget by 8.7% year to date and this has been offset by lower than budgeted personnel and operating expenditure.

Capacity reports a year to date underspend of \$474k (or 1.6%) for WCC opex compared to budget and an expected overspend for the full year of \$1.4m (or 3.5% of budget). The change is due to the anticipated re-allocation of some costs during quarter four. The forecast year end overspend is due to higher than budgeted levels of reactive maintenance and unbudgeted increases in treatment plant tariffs. This overspend is forecast to be offset by favourable variances in asset stewardship within Wellington City Council budgets.

### **5.3 Positively Wellington Tourism (PWT)**

PWT records that quarter three was a quarter of significant positives for the visitor sector in Wellington. Activities singled out for this include;

- 63 cruise ships visiting Wellington during the quarter gave a significant boost to the retail and hospitality sectors in Wellington. On 90 vessels, a total of 175,000 cruise ship passengers visited Wellington during the summer.
- The touring English cricket team's 2 visits to Wellington.
- The Rugby Sevens, Nitro Circus and the ongoing Games Masters exhibition at Te Papa.

In its New Zealand marketing campaigns, a new approach was taken for the World of Wearable Art awards show ticketing booklet this year, with PWT owning design and print of a magazine-style piece that focused completely on the show and the Wellington experience.

- The brochure, distributed to all ticket-purchasers, features bold Wellington imagery and editorial about Wellington's retail, hospitality and sights and activities.
- WOW ticket sales launched in February with a new-look hero creative, shot at Zealandia.
- The timing of the first phase of the ticketing campaign coincided with the hosting of the Off the Wall exhibition at Auckland Museum, which provided a strong leverage platform off which to promote Wellington, show ticket sales and media hosting opportunities. PWT supplied a Wellington band and craft beer from ParrotDog.

PWT delivered phase 2 of its Australian marketing campaign, partnering with Air New Zealand and Tourism New Zealand and other regional and local partners.

- Phase 2 of the campaign launched 11 March – 07 April.
- The campaign has tactical focus on driving autumn and winter visitation in partnership again with Flight Centre – Australia's largest retail travel agency, offering compelling package deals into Wellington and neighbouring regions.

Traditionally a quiet period for international marketing, quarter three was busy with;

- 21 media familiarisations hosted,
- 63 cruise ships visiting Wellington during the season, including 13 March when over 6000 passengers from three ships were in port.

The Wellington Convention Bureau participated in the Australasian Meetings and Incentives Expo in Melbourne in February which produced 4 leads and 5 referrals for our partners.

- Currently working on a prospecting list of events worth over \$9m from the domestic market and \$15m from the Australian market.

The work of the Destination Wellington programme in quarter three has been intense.

- Three streams of research commissioned in quarter two have been completed,
- the Wellington 'story' has been brought together, and
- work towards a creative solution to take that story the world is also close to completion.

In the digital marketing space;

- Australian digital traffic grew +13% YOY from quarter three 2011, to 48,872 visits, due to a joint PWT/Tourism New Zealand 'Food and Wine' campaign and promotion of the AFL game.
- Overall, there were 555,540 visits to WellingtonNZ.com in quarter three. This was a 5% increase on Quarter 3 2012 (529,694).

The 'trend of mobile' has become undeniable as mobile device traffic grew +118% YOY from quarter three 2011. A Request For Proposal for a mobile solution for WellingtonNZ.com went to market in February 2013, however this was paused in light of Destination Wellington developments and will be looked at cohesively with developments of that project.

#### Financial Performance

quarter three revenue (\$3.9m) was above budget (\$3.3m), led by higher than budgeted YTD grant funding in the quarter. Expenditure in the quarter was slightly above budget, but YTD operating expenditure (\$8.0m) is still tracking well below budget (\$9.1m). The upshot - PWT held \$3.4m cash on hand at 31 March 2013 (versus \$2.6m cash on hand in the budget). As noted in quarter two, much of this position is related to the Destination Wellington project receiving 8 months revenue in 6 months (i.e. timing difference) but this is expected to be normalised by year end.

#### **5.4 Positively Wellington Venues (PWW)**

Positively Wellington Venues posted a net loss for the quarter of \$77k that was \$8k below budget. YTD, however, the company is recording an operating deficit of \$27k, \$46k ahead of budget. The company remains on track to deliver a breakeven result at year end.

Seismic strengthening work began on the Shed 6 wharf in preparation for the construction of the temporary replacement venue in Shed 6. The project is being managed by the Steering Group (comprising representatives from PWV, Wellington Waterfront Ltd and Council). At quarter end, the strengthening work was nearing completion and the building contract had been tendered and awarded. The project is on track to be completed on time and on budget, and ready to commence operations in August 2013.

Quarter 3 is generally a quiet period for PWV as a result of Christmas and summer holidays. Venue utilisation for the quarter was down 30% on the previous year, largely due to 2013 not being an Arts Festival year. However, revenue is 5% higher. 48 Community hire days for the quarter is much higher than the same quarter in 2011/12 (12 days) as a result of a Festival exhibition and Capital E's production of "The Man the Sea Saw". PWV now manages venue spaces in the NZ Academy of Fine Arts on Queen's Wharf. There were no events in Shed 6 as a result of construction work.

Venues and Council, through the Manager of Economic Development, have continued to progress the process of agreeing what legacy or other sponsorship support PWV is expected to provide for community organisations or strategic partners. Officers are working with PWV to prepare a report to CCOPS that will then feed in to the Letter of Expectation later in the year.

## **5.5 Wellington Cable Car Ltd**

Cable car passenger numbers for the third quarter were 364,772, which was 4.7% above target and the same period last year. As a result, despite the slower first quarter result, year to date passenger numbers are up 2.1% on last year and target.

The resource consent application for the Kelburn terminal redevelopment was approved, with a condition relating to the demolition of the kiosk noted. Contractors have commenced work on-site since quarter end.

Cable car fare income was 4% above budget for the quarter and was significantly higher than last year, reflecting the higher than budgeted passenger numbers and the fare increase introduced on 1 February 2013.

Trolley bus overhead network maintenance income from Greater Wellington Regional Council and expenses are shown as 56% below budget for the quarter. The budget includes provision for capital expenditure items that are subject to business case approval, on which investigative work is still being undertaken. Revenue for the work undertaken for GWRC for reactive and planned maintenance is budgeted to match expenditure over the full year.

The year to date before tax surplus of \$670k is tracking above the budgeted \$498k. This reflects the lower than budgeted cable car fare and electric bus income being more than offset by lower than budgeted electric bus and cable car operations and maintenance expenses (the lower than budgeted maintenance



expenses partially reflects timing differences). There were also lower than budgeted administration expenses. However, after adjusting for a higher than forecast tax expense (a \$131k subvention payment was paid in quarter three), the year to date after tax surplus is tracking in line with budget. The Company anticipates achieving its budgeted after tax result of \$296k for the year.

## **5.6 Wellington Museums Trust**

The Capital City Connections programme, which is an education delivery collaboration (Capital E, Museums Wellington, Cater Observatory and City Gallery) using smart technology, is a finalist for the Museums Aotearoa annual awards.

The sixth biennial Capital E National Arts Festival for young people was very successful achieving a high standard of critical acclaim and positive public feedback.

- The final attendance figure is 50,536.
- Of the 10,000 children who saw *Sky Dancer*, a collaboration between the National Theatre for Children and the NZSO, 90% had not had the opportunity to experience an orchestra before.

Looking ahead

- The Trust will progress the strategic review offerings to children and young people and find alternative accommodation to enable Capital E to continue to operate its creative technology programmes.
- Capital E-led school holiday programmes will be offered throughout Trust institution facilities.
- The National Theatre for Children will present its Wellington seasons at Downstage Theatre.

The re-development of the Museum of Wellington City & Sea is on target to make an application to the Lottery Environment and Heritage Committee for Stage 1 of the project. Subject to fundraising being achieved stage 1, which is the development of the top floor of the Bond Store, will start in January 2014.

- Online market research undertaken on the name and visual identity for *City Museum Wellington* – the proposed new name of the Museum – has been completed. The survey was conducted across the Wellington region.

Looking ahead

- The Museum of Wellington City & Sea will open Test Studio: *Te Ūpoko o te Ika*, a Maui with a prototype of the Long Table which is one of the interpretative strategies under consideration for the top floor. The purpose of this is to engage the public in testing ideas and gaining feedback.
- Work is also underway to develop prototypes of other exhibition content which will showcase the Museum's regional mandate.

A suite of new exhibitions opened at City Gallery on 1 March, including *Moving on Asia: Towards a New Art Network*, *Len Lye: Kaleidoscope*, and *Chicks On Speed*.

- Each of these exhibitions extended the reach and offering of City Gallery.
- *Moving on Asia* is both the largest showing of video art at City Gallery, and the Gallery's most significant presentation of work from Asia.

Looking ahead

- City Gallery will open its winter season on 14 June. The feature exhibitions are *In a lonely place* featuring the work internationally acclaimed photographer Gregory Crewdson and *Hanging Sky* featuring the work of Shane Cotton.

The Colonial Cottage Museum closed on 25 March to enable the earthquake strengthening of the chimney.

- The enforced closure will be used to review the visitor experience.
- The Museum will reopen on 1 July.

Financial Performance

The Trust struggled to provide reliable financial information for the previous two quarters ended quarter one and quarter two. This problem was also evident in quarter three, and has been rectified by restating the previous quarter (actual) figures. Officers have accepted this as the most pragmatic "once only" solution to ensuring the Trust's financial reporting is reliable going forward.

Both income and operating expenditure were above budget for the quarter (due to phasing), but are near budget for YTD. Operating surplus is \$150k YTD led by higher than budgeted income. Notwithstanding, the Trust expects its year end result will align with the budget.

The Trust's balance sheet simply reflects higher than forecast holdings of cash and receivables at quarter end. YTD operating cash flow is \$2m versus forecast \$184k, which effectively culminates in the Trust's holdings of cash and equivalents at 31 Mar 2013 of \$2.2m versus forecast \$324k. The reason for the variance is due to timing of receiving Council grants – the position is expected to normalise by year end.

## **5.7 Wellington Waterfront Ltd**

Wellington Waterfront Ltd has reported an operating deficit for quarter three of \$35k against a budgeted deficit of \$303k. YTD, however, WWL has an operating deficit of \$4m against a budget of \$3.4m. The main reason for this \$600k unfavourable result is that depreciation for the year to date is over budget because of the revaluation of assets in quarter one. Depreciation will continue at a higher than budgeted amount for the rest of the year and is still expected to finish \$2m higher than budget. Income was \$486k (3%) higher than budget primarily due to better than anticipated operating recoveries. At the end of

quarter three, the advance from Council was \$17.891m. This will increase through quarter four, but is tracking as anticipated.

WWL progressed several capital projects during the quarter. Work continued through the quarter on preparations to receive development proposals for the North Kumutoto precinct. Following the Expressions of Interest campaign, nine developers were invited to submit a Request for Proposal document. These are expected in May, from which a preferred development option will be selected. WWL worked closely with Positively Wellington Venues on the seismic strengthening of the Shed 6 wharf. The project is on track to be completed on time and on budget. Work on the redevelopment of the Overseas Passenger Terminal is progressing ahead of schedule and is now expected to be completed by June 2014.

Summer is a busy period of public activity on the waterfront. Working with Council's Events teams, WWL hosted over 90,000 people during the quarter a diverse range of events and activities, including the Homegrown Festival, the Asian Night Food market, AMI Round the Bays, the Dragon Boat Festival, and Waitangi Day celebrations. In addition, the temporary ice skating rink returned to Queen's Wharf at the end of March and will run through to mid-May. Four new quotation pieces were added to the Writers Walk and were officially opened in February by the Governor General, Sir Jerry Mataparae.

## **5.8 Wellington Zoo Trust**

Year to date visitation of 180,085 is ahead of last year by 8.5% and ahead of plan by 10%. The strong quarter result was helped by the newly opened Asia Precinct and less wet weather days than last year.

In terms of capital projects, Hero HQ (the Reptile Rotunda) was opened by the Mayor after quarter end (on 24 April). Work continues on the Australian precinct, work on the Serval exhibit will commence in quarter four, and a procurement plan for Meet the Locals will be provided to Council officers in quarter four. The Zoo's target for its Zoo Capital Plan fundraising is \$469k for this year. It has raised \$374k or 80% of the target to date.

From a Council account perspective, the Zoo Capital Plan budget (CX340) is under-budget year to date due to a delayed start for the Meet the Locals project.

The year to date operating surplus of \$229k is above the budgeted \$133k, due to trading income being above budget, largely due to the higher than budgeted visitor numbers. Quarter four is typically run at a material loss and the Trust expects a small surplus for the full financial year.

## Other Organisations:

### 5.9 New Zealand Local Government Funding Agency Ltd (LGFA)

Since launching in December 2011, the LGFA has significantly exceeded its lending targets. At 31 March 2013, total lending was \$1.8bn, well in excess of its SOI target for 30 June 2013 (\$1.1 bn).

The LGFA's quarter three surplus before dividends and tax was \$2.15m, \$1.39m ahead of its SOI forecast. The LGFA will be declaring a full dividend to shareholders in the current financial year.

LGFA's relative average cost of funds continues to steadily improve. 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.

<b>Performance Measure</b>	<b>Target</b>	<b>Result</b>	<b>Outcome</b>
1. Average cost of funds relative to NZGS	<0.50%	0.76%	Not achieved
2. Average margin above LGFA's cost of funds	<0.40%	0.30%	Achieved
3. Annualised operating overheads	<\$3.2m	\$3.0m	Achieved
4. Lending to participating councils	>\$900m	\$1,786m	Achieved
5. Number of council shareholders	≥30	30	Achieved
6. Number of eligible borrowers	≥40	36	Not achieved

In its first 10 bond tenders, the LGFA received total bids for \$7.5bn, an average bid cover ratio of 4.2 times. This demonstrates the market appetite for the LGFA's paper and underpins its successful launch and vindicates the collaborative local government borrowing model.

### 5.10 Wellington Regional Stadium Trust

The Stadium hosted 12 events during quarter three. Highlights included Nitro Circus Live, which attracted a crowd of over 15,000, the Hertz Sevens tournament, and the New Zealand vs England Twenty/20 match. There were five Phoenix home games, with an average attendance of 5,502, and three Super Rugby games, with an average attendance of 12,891. The Trust also provided turf management services to Basin Reserve Trust worth \$76,305 for the quarter.

The Trust remains on track to deliver an above budget full year result.

Since quarter end, David Gray's replacement as Chief Executive has been announced as Shane Harmon, who was General Manager Marketing and

Communications for Rugby New Zealand 2011. Shane will take over when David retires on 30 June 2013, after 16 years of service with the Trust.

### **5.11 Karori Sanctuary Trust**

Visitation at the sanctuary is below budget and membership renewals are declining.

- Despite visitor numbers well below budget, the average revenue per visitor for the quarter was \$31.48, comfortably above the target of \$27.40 per visitor.
- Income for the quarter (\$1,162k) and YTD (\$2,337k) is just above budgeted figures, while expenditure is approximately \$230k below the forecast YTD expenditure.
- With the tight control of expenditure and better than forecast revenues, the Trust's operating cash flow was positive \$321k for the quarter (budget \$302k). YTD to 31 March 2013 saw a positive operating cash flow of \$18k versus a budgeted deficit of \$537k.
- Cash on hand at 31 March was \$945k, well above forecast (\$721k) due to better than forecast trading performance.

During quarter three the new Board and management worked on developing the key strategic priorities for the business including;

- finances, price, membership packages, perceptions of value/ visitor experience;
- brand and communications;
- funder relationships, and partnerships including VUW & Tenth's Trust.

The Board attended workshops with Victoria University Wellington management held at VUW Marine Ecology Centre, and follow up discussions in March resulting in setting up an ad hoc joint committee to work on the foundations for a long term presence for Victoria University at the Sanctuary.

A marketing subcommittee was established to review pricing and membership packages.

The Trust's application with Wellington Zoo, to the Regional Amenities Fund for a \$300k grant for a joint visitor experience development project was approved on 24 April.

An \$8,000 grant from the Wellington Community Trust was secured for the completion of an engineering and feasibility study to raise the profile of freshwater native species around the aquarium and eel viewing areas.

Work on adopting Council's payroll shared services continued during quarter three and was completed after the quarter end, with the first pay run by Council delivered on 2 May.

## Financial Performance

Total revenue for the quarter was \$1,162k; this was \$47k above budget. Trading income was \$48k above budget and other income met budget for the quarter. Total expenditure for the quarter of \$1,030k this was \$62k better than budget. Personnel costs were over budget by \$36k, this was a timing issue. However other costs were \$98k under budget. The Trust's operating cash deficit for the YTD 31 Mar 2013 was 18k, a \$555k improvement on the forecast deficit of \$537k for the period. As a result, cash on hand was \$945k at 31 Mar 2013.

Although the Trust's actual financial performance is materially better than the budget, this is a result of keeping expenditure to its absolute minimum. As such, the performance somewhat belies the underlying challenges to the business in membership and visitor numbers. These challenges are well understood by the Trust and its strategic initiatives will aim to address visitation and to grow its revenues from all sources.

### **5.12 Wellington International Airport Limited**

Wellington International Airport Limited (WIAL or the Company) has presented its annual report for the year ended 31 March 2013. The company reports a strong year with EBITDAF increasing 10%, reflecting good growth in revenue and WIAL's on-going focus on efficiency. Capacity in to Wellington increased by 5.7% through the addition of a 9<sup>th</sup> aircraft to the Jetstar fleet. International numbers continued to grow (1.2% over the previous year). WIAL worked successfully with Weta Workshop to transform the airport for the release of *The Hobbit: An Unexpected Journey*, including renaming the airport to The Middle of Middle Earth.

The Company continues to invest in capital development projects with \$12m spent on enhancing the car park and terminal facilities. Work has begun on a significant \$200m infrastructure investment over the next five years to expand the main terminal, improving transport and access to the drop-off area, and enhancements to the baggage handling system.

## **6. Conclusion**

A short report prepared by officers is given for each entity's quarterly report (excluding LGFA and the Wellington Regional Stadium Trust) 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*

*Maree Henwood, 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 2012/13 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.*