

DRAFT 2014/15 STATEMENTS OF INTENT FOR COUNCIL CONTROLLED ORGANISATIONS

1. Purpose of report

To provide the Subcommittee with an analysis of the draft 2014/15 Statements of Intent received from Council Controlled Organisations (CCOs) and affiliated entities, in compliance with the Local Government Act 2002 and Council reporting requirements.

2. Executive summary

Officers have assessed the draft Statements of Intent for 2014/15 for Positively Wellington Venues and Wellington Regional Stadium Trust (attached as Appendices 1 and 2 respectively to the report). A number of changes are recommended to the Committee. Subject to its approval of these changes, the Committee's views will be communicated to the entities in time for the final Statements of Intent to be presented to this Committee at its meeting on 10 June 2014.

3. Recommendations

Officers recommend that the Economic Growth and Arts Committee:

1. *Receive the information.*
2. *Agree that the Chair will write to each organisation requesting changes for the final 2014/15 Statement of Intent as detailed below:*
 - (i) *Positively Wellington Venues*
 - (a) *Confirm baseline measures and quarterly phasing for Key Performance Indicators so that growth and progress can be measured.*
 - (b) *Include a commitment to considering how it would implement within budget a living wage rate for staff in time for reporting as part of the Long Term Plan.*
 - (ii) *Wellington Regional Stadium Trust*
 - (a) *Confirm that Wellington Regional Stadium Trust and Wellington City Council will work collaboratively on the Trust's suggestions on an improved physical connection with the city in order for the Council to consider these suggestions as part of its Long Term Plan process.*
 - (b) *Include an update on the Stadium Master Plan projects assessed by the Trust as likely to be implemented during 2014/15.*

3. *Note that the Wellington Regional Stadium Trust draft Statement of Intent is also subject to feedback from Greater Wellington Regional Council.*
4. *Note that the draft Statements of Intent for Basin Reserve Trust, Positively Wellington Tourism and Wellington Museums Trust will be presented to this Committee at its meeting on 29 April 2014.*
5. *Note that the final Statements of Intent will be presented to this Committee at its meeting on 10 June 2014.*

4. Background

Under the Local Government Act 2002, CCOs are required to submit a draft Statement of Intent (SOI) to the Council by 1 March in the previous financial year. As a matter of good practice, the Council precedes this with a Letter of Expectation to CCOs, which outlines the Council's expectations in respect of the SOIs it will receive.

The draft SOI process provides both the Council and CCOs with an opportunity to fine-tune respective expectations ahead of submitting a final SOI for Council approval in June.

Draft Statements of Intent have been received from the following organisations:

- Basin Reserve Trust
- Positively Wellington Tourism
- Positively Wellington Venues
- Wellington Museums Trust
- Wellington Regional Stadium Trust

Wellington Regional Stadium Trust is not a CCO, as clarified under a Court of Appeal ruling. The Trust has undertaken to provide an SOI because of the materiality of the Council's financial commitment to the Trust and the Trust's contribution to Council outcomes.

This report comments on the draft Statements of Intent for Positively Wellington Venues and Wellington Regional Stadium Trust. The draft Statements of Intent for Basin Reserve Trust, Positively Wellington Tourism and Wellington Museums Trust will be reported on to the Committee meeting on 29 April 2014.

5. Discussion

5.1 Positively Wellington Venues

Positively Wellington Venues (PWV or Venues) has delivered a draft Statement of Intent that outlines their business objectives and strategies for 2014/15. The SOI addresses the key points raised in the Letter of Expectation (LoE), and is in line with the requirements of the LGA.

The PWV 2014/15 SOI presents a strong, positive outlook for the company and has embraced the request in the LoE to "maintain and enhance Wellington's reputation

as the Arts, Culture and Events capital.” In the introduction from the CEO, she notes that the company is moving away from the ‘merge, build, grow’ strategy that underpinned their first 3 years of operation. The focus now is on delivering two clear goals:

- Grow the company’s economic contribution to Wellington
- Deliver an EBITA of at least \$1m per annum by 2016/17.

The strategies as presented in the SOI are proactive and ambitious, and are aimed at driving growth both in the Company and to the Wellington economy. As such, Venues anticipates making a strong contribution towards advancing the Council’s aims. It is the officers’ opinion that these are strong goals that are in line with Council’s expectations and the strategic objectives for this CCO.

In order to deliver on the vision outlined in the SOI, the document refers to a number of significant projects (such as a Wellington Convention and Entertainment Centre, the redevelopment of the Opera House and new scoring stage and recording facilities at the Wellington Town Hall) that have significant future capital expenditure implications and will require the company to work closely with the Council through the LTP process if they are to proceed.

In response to the LoE’s request to understand any step changes required to increase venue utilisation, the SOI points to a number of strategies that have been developed to “make sure that Wellington secures more than its fair share of the market.” The key aspects on which Venues will focus in order to increase venue utilisation are:

1. *Plugging the gaps* to incentivise hirers through dynamic pricing models to fill gaps in the events calendar, especially during traditionally quiet periods.
 2. *Outsmarting where we can’t outspend* with respect to exploring new and different partnerships with organisations.
 3. *Creating innovative solutions*, especially where there are capacity constraints.
 4. *Promoting Wellington* as the event and cultural Capital with more to offer delegates and attendees outside of the conference or event than other cities.
- This is articulated in the PWV “Power of the Precinct” strategy.

Officers note that PWV is looking to drive more business in to traditionally weaker parts of the calendar which is a strong approach to growing the business. This could, however, impact performing arts organisations who might struggle to deal with venue charges at premium market rates during peak times, but might not have the flexibility to be able to move concerts out of the traditional concert season schedule to potentially cheaper off-peak periods. Officers will monitor this aspect closely to ensure that PWV is able to maintain a balance of commercial and community clients throughout the year.

PWV was asked in the LoE to note what actions would be put in place to deliver on financial projections for Shed 6. This is addressed in some detail within the SOI. A key factor in increasing utilisation in the venue space is the ability of the company to market the scale and flexibility of the combined the Shed 6, Arcade and TSB Arena space. Now that the facility is fully operational, potential hirers are able to see first-hand how effectively the combined space is able to work. Retractable seating installed in early 2014 will also extend the flexibility and usefulness of Shed 6. The SOI notes

that there have already been a number of bookings in the new venue for events that would otherwise have passed over Wellington.

The PWV 2014/15 SOI presents a number of KPIs against which their progress through the year is to be measured. However, officers note that there are no baseline figures presented for most of the goals, nor is there an outline of the methodology that will be used to measure KPIs such as the increase in the economic contribution of Show and Grow business events to Wellington. Officers recommend that clear performance measurements be put in place for key goals, most notably:

1. Economic contribution of Show and Grow business to Wellington
2. Growth in the annual value of tickets sold
3. Value of ancillary spend to the business
4. Mix of commercial, funded and community hires
5. Pan-venue utilisation (hire days)

PWV's draft accounts show that the company is forecasting an EBITDA surplus of \$371k surplus by June 2015, increasing significantly in the out years to \$777k and \$1,257k respectively. The 2014/15 surplus is achieved through a small \$137k (1%) increase in Event revenue on 2013/14, and savings of \$155k (3%) projected in occupancy and utility costs in part as a result of the Town Hall remaining closed.

At its meeting on December 19th, the Council passed a resolution directing Council Controlled Organisations (through the statements of intent process) to consider how they would implement within budget a living wage-rate for their staff and report back as part of the 2015 Long-term Plan. PWV was asked to address this issue in its 2014/15 SOI. Venues has engaged with officers previously on the Living Wage, but has inadvertently not referenced the issue in the SOI. Officers will ask PWV to update the final SOI to include a commitment to considering how it would implement within budget a living wage rate for staff in time for reporting as part of the Long Term Plan.

Summary Recommendations

The final 2014/15 SOI should:

- Confirm baseline measures and quarterly phasing for Key Performance Indicators so that growth and progress can be measured.
- Include a commitment to considering how it would implement within budget a living wage rate for staff in time for reporting as part of the Long Term Plan.

5.2 Wellington Regional Stadium Trust

The draft SOI for Wellington Regional Stadium Trust (WRST or the Trust) provides a good overview of current operational matters, opportunities and challenges. It notes that Westpac Stadium is the best used stadium in New Zealand and that 2014/15 is arguably likely to be the busiest year yet as the Stadium hosts two World Cups. The Trust observes that Westpac Stadium is one of only two stadia in New Zealand and Australia (along with ANZ Stadium in Sydney) that hosted all five major outdoor sporting codes last year.

WRST notes that its current key opportunities and challenges are:

- the expiry of the Deloitte Club memberships and corporate box licences from 2015 and their subsequent renewals and attracting new members and box holders;
- the Cricket World Cup and FIFA Under 20 Football World Cup in 2015;
- working with WCC, WRFU and NZRU on the renewal of the Sevens contract from 2016; and
- the ongoing investment in the Stadium Master Plan in order to meet market expectations in an increasingly competitive operating environment.

As requested in the Letter of Expectation, the draft SOI discusses the Stadium's strategic fit with the Council's Economic Development strategy, Events Policy, Digital Strategy and Accessible Wellington Action Plan, with the following observations.

- The Trust notes that the 15-year report on the Stadium's economic contribution to the region should be available mid-year and the Trust anticipates that it may surpass \$800m including RWC 2011.
- The draft SOI notes that the Trust is working collaboratively with WCC and is committed to (and is optimistic about) securing additional non-sporting events in 2015.
- The Trust is also investigating various technology options as part of its Master Plan.
- In relation to accessibility, the strategic consultancy, the gemba group, has ranked Westpac Stadium as the Number 1 accessible stadium in New Zealand.

The draft SOI observes that there has been ongoing discussion around the city and region's venue needs, particularly upgrading needed at the Basin Reserve, the suggestion of a large indoor arena, and the proposal for a smaller rectangle stadium at Petone. Given this context, and potential financial implications for the Trust if decisions about developing other venues in the region are made in an isolated manner, WRST notes it is very supportive of the need for a long-term regional venues strategy to be developed and would partner with the councils in the region to develop such a strategy.

The Trust also continues to note its desire for the Council to consider improving the connection between the city and the Stadium, particularly improving the connection from Queens Wharf to the Fran Wilde Walk, recognising the importance of the Fran Wilde Walk as a link between Centreport and the city, and between Thorndon and Centreport, and reinstating the Davis Street overbridge or an equivalent. This is work that may wish to be considered as part of the Council's Long Term Plan discussions. Officers suggest that the Stadium Trust and Council officers should work collaboratively so that initial work on how this might look is available to the Council to consider as part of the Long Term Plan deliberations.

A number of other issues noted in the Letter of Expectation have been addressed by the Trust:

- The importance of the two World Cups in 2015 is acknowledged throughout the document, with a key challenge for the Stadium being accommodating its home teams and regular tenants (football, rugby, exhibitions and functions) during

this period. The Trust is working through these logistical challenges and notes it has strong working relationships with both World Cup Local Organising Committees.

- The Trust's relationship with its hirers is discussed in some detail. In 2015, among other initiatives, WRST is planning to establish a key hirers' forum to share ideas and develop best practice and to conduct joint research to assess market needs. The Stadium is also taking a more collaborative and proactive approach with its anchor tenants in developing strategies that attract crowds and is planning to undertake a detailed brand assessment of the Stadium from the hirer and customer perspective.
- Relating to the above, among other customer-focused initiatives, WRST is planning to map the customer experience at the Stadium to better identify areas for improvement, improve the variety and quality of the food and beverage offering, and to provide a more consistent level of service with third party providers through more integrated training and branding. While WRST observes that the key to reversing declining crowd attendances is improved team performance, which it does not control, it acknowledges that Westpac Stadium can have a significant positive impact on attendance by continuing to upgrade its facilities and the patron experience.
- The Trust confirms its support of the region's initiatives to commemorate World War 1. The AFL Anzac Day match will hold special significance in 2015. In addition, the Trust has submitted a request for lottery grants funding to host a major event in 2016 to commemorate the Battle of the Somme.
- In relation to the Master Plan, the most significant investment in the public experience since the Stadium was built is the new Mezzanine Lounge, which is due to open in April. It will include a significantly enhanced food and beverage offering, free wifi and mobile phone charger stations.
- The Trust is currently reassessing priorities for the next stage of the Master Plan. They are likely to include: concourse enhancement (including food and beverage facilities and offerings); use of technology to attract fans; and turf replacement and upgrade. WRST's Master Plan has been designed to be flexible and allows it to reassess priorities after each project is completed in order to balance market expectations with the need to remain financially autonomous. Officers request that the final Statement of Intent and Business Plan include an update on the projects assessed as likely to be implemented during 2014/15.

The membership renewal programme is now underway, with the corporate box offering to be released to the market soon. The Trust continues to note that future income statements will be impacted by this transition as a major part of its historic surplus has been the ~\$2.8m of amortisation from the original membership and box income received. In addition, given the changed economic environment relative to 15 years ago, the Trust is forecasting a lower take up of membership and boxes and an increased level of debt to reflect the Master Plan expenditure. As an example, the current revised forecast of \$2.1m net surplus for 2013/14 (up from \$1.6m in the

original budget) includes \$2.8m of amortised income. From 2015 onwards, WRST expects that funds from memberships and corporate boxes are most likely to be paid on an annual basis.

In line with previous years, the draft business plan will be provided to the Council in May. As a result, officers cannot yet comment on the financial projections of the Trust.

Summary Recommendations

The final 2014/15 SOI should:

- Confirm that WRST and WCC will work collaboratively on the Trust's suggestions on an improved physical connection with the city in order for the Council to consider these suggestions as part of its Long Term Plan process.
- Include an update on the Stadium Master Plan projects assessed by the Trust as likely to be implemented during 2014/15.

It is noted that the draft business plan will be provided to the Council in May and has not been commented on in this report.

It is noted that the draft Statement of Intent is also subject to feedback from Greater Wellington Regional Council.

5.3 Consultation and Engagement

The organisations in this report consult with the Council on a wide range of matters as part of our "no surprises" relationship.

5.4 Financial and Long Term Plan considerations

The CCOs work within the context of the Council's overall Long Term Plan and Annual Plan framework.

5.5 Climate change impacts and considerations

The CCOs work with the Council and other organisations in considering the environmental sustainability of their operations, including with the Council's Our Living City programme.

6. Conclusion

Officers have assessed the draft Statements of Intent for 2014/15 for Positively Wellington Venues and Wellington Regional Stadium Trust. A number of changes are recommended to the Committee. Subject to its approval of these changes, the Committee's views will be communicated to the entities in time for the final Statements of Intent to be presented to this Committee at its meeting on 10 June 2014.

Contact Officers: *Richard Hardie, Portfolio Manager, CCOs; Warwick Hayes, Portfolio Manager, CCOs and Maree Henwood, Portfolio Manager, CCOs*

SUPPORTING INFORMATION

1) Strategic fit / Strategic outcome

These entities and projects support the achievement of a range of outcomes across most strategic areas. CCOs are required to state in their Statements of Intent how they contribute to Council's strategic goals.

2) LTP/Annual Plan reference and long term financial impact

Please refer to the individual comments on 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

Officers outside the CCO team are consulted as relevant and a copy of each entity report will be circulated to the individual entity. WCC feedback on Stadium Trust is discussed with Regional Council.

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.

A Statement of Intent is a legal requirement for a CCO under the Local Government Act 2002.

7) Consistency with existing policy

This report is consistent with existing WCC policy.