

REPORT 2

FINAL STATEMENTS OF INTENT FOR COUNCIL CONTROLLED ORGANISATIONS FOR THE YEAR 2014/15

1. Purpose of report

To provide the Committee with the final 2014/15 Statements of Intent received from Council Controlled Organisations (CCOs), in compliance with Local Government Act 2002 and Council reporting requirements.

2. Recommendations

It is recommended that the Committee:

1. *Receive the information*
2. *Note that following the Committee meetings on 18 March 2014 and 29 April 2014 the Chair wrote to the Council Controlled Organisations requesting changes to be made in their Statements of Intent and that these changes have been included in the final Statements of Intent*
3. *Agree to recommend that the Council approve the following 2014/15 Statements of Intent as outlined below:*
 - a) *Basin Reserve Trust*
 - b) *Positively Wellington Tourism*
 - c) *Positively Wellington Venues*
 - d) *Wellington Museums Trust*
 - e) *Wellington Regional Stadium Trust*
4. *Note any other issues for the Chair to raise with the Council in regard to this report.*
5. *Note any issues for the Chair to raise with the entities covered by this report.*

3. Background

The requirements for Statements of Intent (SOIs) are prescribed in the Local Government Act 2002.

Under the Local Government Act 2002, CCOs are required to submit a draft SOI to the Council by 1 March in the previous financial year. As a matter of good practice, the Council preceded this with a Letter of Expectation, sent to all CCOs in December, which outlined the Council's expectations in respect of the SOIs to be received. This process provided both the Council and the CCOs with an opportunity to fine-tune respective expectations ahead of submitting the final SOI for Council approval prior to the beginning of the 2014/15 financial year.

Officers received the draft SOIs and tabled these at the Economic Growth and Arts Committee meetings on 18 March and 29 April. The report included issues that had been identified in each SOI that were expected to be addressed in the final SOI. The Chair of the Committee then wrote to each CCO, highlighting these issues and requesting that they be addressed in the final SOI, to be submitted to officers by 10 May.

These final SOIs are included in this report for referral to the Council for its approval. As the key accountability document between the Council and the Board of each entity, the approval or support of the SOI is important in confirming the strategic direction and accountability to Council of each organisation.

4. Entities Covered by this Report

A final Statement of Intent has been received by the following CCOs:

- Basin Reserve Trust
- Positively Wellington Tourism
- Positively Wellington Venues
- Wellington Museums Trust
- Wellington Regional Stadium Trust (not a CCO)

4.1 Wellington Regional Stadium Trust

A Court of Appeal ruling clarified the Trust's status and confirmed that it is not a CCO. It provides a Statement of Intent and Business Plan to its settler councils because of the materiality of the councils' financial commitment to the Trust and the Trust's contribution to the councils' outcomes.

4.2 Merger of Positively Wellington Venues and Positively Wellington Tourism

At its meeting on 11 December 2013, the Council's Governance, Finance and Planning Committee agreed to amalgamate the activities of Positively Wellington Tourism (PWT) and Positively Wellington Venues (PWV) within a single Council Controlled Organisation. However, the merger will not have taken place by 30 June 2014 so to comply with the requirements of the Local Government Act 2002, both entities have prepared a 2014/15 SOI for consideration by the Committee.

5. Issues for the Committee to Consider

5.1 Basin Reserve Trust

In its final SOI for 2014/15, the Basin Reserve Trust (the Trust) has responded to the point raised by the Economic Growth and Arts committee in its letter of 30 April 2014.

In particular, the Trust was asked to make a stronger connection between the work programme outlined in the Facilities Management Plan (FMP) and how this has been accounted for in the draft budget. The final SOI notes that Trust is using the work programme in the FMP to identify and prioritise the key maintenance tasks requiring immediate attention. Funding for undertaking deferred operational maintenance work has been provided for in the Annual Plan, and has been provided for in the

budgeting process. The FMP outlines a comprehensive work programme for 2014/15 and the Trust to prioritise this work based the ground's requirements.

The SOI also notes that the Trust is leading the development of a Master Plan for the Basin, a future-focussed plan which will outline the long-term vision for the ground, and is getting input from key stakeholders. The plan will also prioritise maintenance and capital spending as required to deliver strategic direction and complete the work identified in the FMP.

Officers recommend that the Economic Growth and Arts Committee recommend that the Council approve the Basin's 2014/15 SOI.

5.2 Partnership Wellington Trust (trading as Positively Wellington Tourism)

In its final SOI for 2014/15, the Partnership Wellington Trust (the Trust) has responded to the point raised by the Economic Growth and Arts committee in its letter of 30 April 2014.

In particular, the Trust was asked to examine the apparent decrease in Wellington's market share of convention business to better understand if there has been a decline and if so what actions are required to address any decline.

The final SOI notes that Wellington's market share has not changed significantly in recent years due mostly to Wellington's attractiveness as a destination. However, the SOI warns that in future Wellington is likely to lose between 8% and 11% of its convention business to new venues elsewhere in New Zealand. This assessment is based on the pressure that will be placed on Wellington by the new convention and event facilities that have been built in Rotorua and Hamilton coupled with plans to develop new convention facilities in Auckland (National Convention Centre) and Queenstown. The Trust observes that the options required to address these threats to Wellington's share of the market include financial incentives to convention organisers or the investment in new convention facilities.

Officers recommend that the Economic Growth and Arts Committee recommend that the Council approve PWT's 2014/15 SOI.

5.3 Positively Wellington Venues

In its final SOI for 2014/15, Positively Wellington Venues (PWV) has responded to the point raised by the Economic Growth and Arts committee in its letter of 7 April 2014.

PWV has confirmed baseline measures and quarterly phasing for Key Performance Indicators, and included a new measure for Economic benefit to the City that will be applied to both their Conference and Events business and their Performance and Exhibitions revenue.

The budget has been adjusted in the final SOI with PWV now forecasting a surplus of \$510k, an increase of \$406k from the figure presented in the draft SOI. The budget changes reflect an improved performance in the 2013/14 financial year, price increases and a greater number of forward bookings since the draft SOI was completed. Budget year improvements are also expected in commission revenues

and tighter control of margins, especially in the Food & Beverage side of the business. Offsetting these improvements, PWV has provisioned for wage and salary increases, a substantial increase and focus on Health & Safety and also employed a Facilities Maintenance Manager responsible for working with City Care and WCC on achieving a high standard of maintenance for our venues.

As requested, the company has referenced 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.

Officers recommend that the Economic Growth and Arts Committee recommend that the Council approve PWV's 2014/15 SOI.

5.4 Wellington Museums Trust

In its final SOI for 2014/15, the Wellington Museums Trust (the Trust) has responded to the points raised by the Economic Growth and Arts committee in its letter of 30 April 2014.

In particular, the Trust was asked to provide clarification regarding repeat visitation forecasts for City Gallery and to add a new KPI detailing a fully-costed visitor subsidy.

In the final SOI the Trust commits to presenting Council's full costs of ownership in its future reporting back to Council. The data will be supplied to the Trust by Council and is currently being collated for this purpose. In terms of repeat visitation at City Gallery, the Trust has reconsidered its forecast and increased this from 25% to 40% in 2014/15.

The forecast financial statements have also been updated from those presented in its draft SOI in response to the Trust having finalised its budgeting process after the draft SOI was presented. The main change in the Trust's financial forecasts is an increase in the forecast deficit by \$26k, from \$56k to \$82k with the main contributing factor being a reduction in forecast admissions revenue at Carter Observatory to the same level as that the facility earned in the year ended 2012/13. The Trust is reviewing the Carter Observatory operations and long-term financial viability and is expected to make a presentation to coincide with Council's Long Term Plan.

Officers recommend that the Economic Growth and Arts Committee recommend that the Council approve Wellington Museum Trust's 2014/15 SOI.

5.5 Wellington Regional Stadium Trust

The final SOI for the Wellington Regional Stadium Trust (WRST or the Trust) is clear in setting out the Trust's operations, opportunities and challenges. It was submitted with its Business Plan for 2014/15 and has added discussion of the Wellington Regional Strategy 2012.

The Trust has responded to the points raised by the Economic Growth and Arts Committee in its letter of 7 April. It confirms that WRST will continue to work with WCC officers on the Stadium's connection with the City and is mindful of the timing of the Long Term Plan. It also notes that there are no significant Master Plan

activities planned for 2014/15 due to hosting both World Cups. WRST will use the year to reassess priorities for the next stage of the Master Plan.

Stadium membership renewals were launched in December 2013 and renewals are currently running at 26%, with a year-end target of 40%. New memberships are on track to be launched in June 2014, with a WRST target of 1,000 new members. The corporate box renewal program has also now been launched, with responses due in June 2014. The Trust is targeting 30 corporate boxes covering 600 box seats, between renewals and new boxes.

As has been noted previously, the terms of the new memberships and box arrangements will have a material impact on future income statements. Currently around \$2.8m a year of revenue in the income statement is from amortised membership/box funding. The new corporate box and membership arrangements will not result in substantial upfront payments for long term use. Further, the annual income from corporate boxes will be less than currently received, as the Trust expects to sell fewer boxes than are presently licenced. However, the Trust notes that it will still have a level of operating profit and cash flow sufficient to service its borrowings and fund its capital expenditure programme.

For 2014/15 the Trust is forecasting holding 52 events, resulting in events income of \$5.52m and a net surplus of \$0.83m. This is lower than the \$1.19m 2014/15 net surplus estimate from last year's SOI, due to a combination of:

- lower forecast revenue from the Sevens,
- increased marketing and market research budgets,
- additional staff costs to build the Trust's sales capability, and
- higher insurance costs of \$130k per annum as a result of WRST's decision to increase the property insured limit from \$100m to \$150m, based on updated modelling work in the post-Christchurch market.

As a result, net surplus/deficit forecasts for the next three years are:

- \$0.83m for 2014/15 (was \$1.19m in last year's SOI);
- \$(0.49m) for 2015/16 (was \$0.08m); and
- \$(0.96m) for 2016/17.

The external debt balance over this time is forecast to increase to \$13m and then remain at that level.

A review of the Trust's business plan notes the following points:

- For 2013/14, the Trust is estimating a net surplus of \$2.0m, slightly below the revised forecast surplus of \$2.1m and above the original forecast of \$1.6m. It is estimating an external bank loan balance of \$11.5m by June 2014, slightly below the budgeted bank loan balance of \$12.0m.
- WRST has a number of strategic themes, including planned initiatives such as:
 - Participating in Sport Wellington's review of regional stadiums and facilities;
 - Targeting a minimum of four submissions for concerts during 2014/15;
 - Developing a digital and technology plan;
 - Continuing to improve the variety and quality of food and beverage offerings; and
 - Exploring the feasibility and cost of a range of stadium improvements and options.

Officers recommend that the Economic Growth and Arts Committee recommend that the Council approve WRST's 2014/15 SOI. Please note that the Trust's final SOI needs to be agreed by the two settlers, Wellington City Council and Greater Wellington Regional Council.

6. Conclusion

The final SOIs address the key issues requested by the Committee and provide a clear discussion of how each CCO contributes towards the Council's outcomes.

Officers will continue to work with the CCOs to ensure that the SOIs continually improve and drive the performance of this important group of entities that provide a range of critical and popular services to the City.

Contact Officers:

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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.