

**REVIEW OF THE PERFORMANCE OF ALL COUNCIL  
CONTROLLED ORGANISATIONS FOR THE QUARTER  
ENDED 30 SEPTEMBER 2008**

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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 30 September 2008, 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 (SPC) notes the following matters with regard to the first quarter 2008/09 performance of Council Controlled Organisations:*
  - a) *the Basin Reserve Trust is performing well and continues to grow its revenue streams, in particular through confirming a naming rights sponsor for the next 3 years*
  - b) *an agreed position has been reached between Capacity and the Council with regard to the Savings Model and will be assessed and advised on by CCOPS to SPC in early 2009*
  - c) *the impending renewal of the Service Level Agreement between Council and Capacity makes it appropriate to consider whether Council should take over responsibility for the strategic planning of water assets*
  - d) *Positively Wellington Tourism will aim to capitalise on the successful launch of their new domestic marketing campaign as well as seeking to increase Wellington's share of the Australian market*

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- e) *the St James Theatre Charitable Trust has already been impacted by the economic downturn and its decreasing working capital continues to present a challenge*
  - f) *Wellington Cable Car Limited performed strongly and is well placed to pay a dividend to the 100% shareholder, Wellington City Council*
  - g) *the Museums Trust intends to approach the Council for an increase in its baseline operational funding to cover a number of issues. This will be reported on to the Strategy and Policy Committee as part of the LTCCP process*
  - h) *the Zoo's external sponsorship funding increased to \$2.25 million during the quarter and construction of the new animal hospital started*
  - i) *the Westpac Stadium continues to perform well, helped by the strong performance of the Wellington Lions, though attracting overseas artists may prove difficult in the current economic climate*
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 quarterly to the Subcommittee on the performance of Council Controlled Organisations (CCOs). These are:

Basin Reserve Trust  
Capacity  
Positively Wellington Tourism  
St James Theatre Charitable Trust  
Wellington Cable Car Ltd  
Wellington Museums Trust  
Wellington Waterfront Ltd  
Wellington Zoo Trust

### **4.2 Wellington Regional Stadium Trust**

A Court of Appeal ruling clarified the Trust's status and confirmed that it is not a CCO. It is included in this report because of the materiality of the Council's financial commitment to the Trust and the Trust's contribution to Council outcomes.

### **4.3 Council Organisations**

At previous CCOP Subcommittee 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:

The Karori Wildlife Sanctuary Trust  
Wellington International Airport Limited (Public Excluded)

As noted at the previous meeting of the Subcommittee, Wellington City Council took over the Carter Observatory redevelopment project in January 2008. As a consequence, the project is now being monitored as part of the Council's quarterly reporting process.

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

### **Council Controlled Organisations:**

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

The Basin has performed strongly for the first quarter and appears likely to improve on the \$81k annual deficit budgeted for in its business plan. The Trust is increasing the range and frequency of uses of the Basin Reserve premises resulting in increased revenue streams.

Officers note that the Trust continues to progress its development plans for the off-field practice wickets. During the 2008/09 Annual Plan budget round, the Council agreed to consider a funding request from the Trust to help finance the construction of the wickets in the 2009/10 year. However as the economic situation has changed significantly, there is a risk that the Council may not provide funding for the project – this risk is borne by the Trust. Further to this,

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Council's consideration of any proposal is contingent on the Trust developing an asset management plan.

The Trust has successfully renewed its Allied Nationwide Finance naming rights sponsorship, which is an excellent achievement for the Trust in the current financial climate.

### **5.2 Capacity - Wellington Water Management Ltd**

At its meeting on 28 October, the Subcommittee noted the continued non-resolution of the Savings Model. A position has now been reached and agreed upon by both Capacity and the Council's Infrastructure Directorate and this is the subject of a further paper to be tabled at this CCOPS meeting.

With the Service Level Agreement (SLA) between the Council and Capacity coming up for renewal, it is appropriate to consider whether responsibility for strategic planning of Council's water assets should rest with the Council, rather than with Capacity as is the case under the terms of the current SLA. At the previous CCOPS meeting, the Subcommittee was of the view that it was appropriate for the responsibility for strategic planning to be held within the Council. The Subcommittee may wish to take the opportunity to explore this matter further when Capacity attends this meeting.

Capacity has increased its annual management fee budget beyond the amount included in their 2008/09 Statement of Intent, and further to this the actual management fee in their quarterly report is higher still than the revised budget.

Council officers have some concerns with the financial data presented by Capacity in its quarterly report and will work with the Company to resolve any issues, with a view to updating the Subcommittee at this meeting.

### **5.3 Positively Wellington Business (Wellington Regional Economic Development Trust)**

Subject to the sign-off of the 07/08 Annual Report, Council's formal monitoring involvement in the matter should come to a close given that Grow Wellington, which effectively superseded PWB, is a Council Controlled Organisation, wholly-owned by Greater Wellington Regional Council, and funded through a regional rate.

### **5.4 Positively Wellington Tourism (Partnership Wellington Trust)**

The economic downturn has placed huge importance on the domestic marketing campaign, which has had a positive launch, and Wellington's ability to attract Australian visitors. Other key considerations for the Trust are supporting the Karori Wildlife Sanctuary to help ensure the success of its new operating model, and a review of the efficacy of the long-haul strategy.

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PWT has acknowledged the continued under-performance of the i-Site and this, along with a possible relocation, will be a continuing focus for the rest of the year.

### **5.5 St James Theatre Charitable Trust**

The below target performances for both the Trust venues reflect the nature of the industry, and the difficulty in booking performances significantly in advance. The current economic situation strengthens the need for the Trust to increase its revenue streams while at the same time limiting the Trust's exposure to risk through Own Shows.

### **5.6 Wellington Cable Car Ltd**

The Company performed strongly during the quarter, with a passenger number increase of 4% helping to contribute to an 8% (\$89k) surplus, compared to the budgeted 3% deficit. The Company's cash balance increasing from \$457k at 30 June 2008 to \$606k at 30 September, resulting in a liquidity ratio of 2.5 further enhances the Company's ability to pay a dividend to the Council.

The Company is revising its 2008/09 business plan to reflect the change in financial structure resulting from the overhead asset revaluation.

### **5.7 Wellington Museums Trust**

The contract for the City Gallery redevelopment was progressed through the quarter, culminating in a construction contract being agreed in November, with construction starting in the same month.

The Trust has signalled its intention to approach the Council for an increase in its baseline operational funding from 2009/10 onwards. Accordingly the Trust is currently putting together a business case to support its request.

### **5.8 Wellington Waterfront Ltd**

The Company continues to undertake planning for future projects whilst the Waterfront Project review is progressed. A paper will be provided to the Strategy and Policy Committee on 4 December outlining the options for the format of future waterfront development, and asking Councillors to select a preferred approach, which would subsequently be consulted on.

Broadly speaking the options for the format of waterfront development are as follows:

- 1. Development to be accelerated and all projects implemented over the next 4 years*
- 2. Development to be spread over 10 years with WWL both planning and implementing the projects*
- 3. Development to be spread over 10 years with WWL planning the projects and the Council implementing them*

### **5.9 Wellington Zoo Trust**

The Zoo continues to perform well, starting the construction of the new hospital and increasing its total sponsorship to \$2.25M during the quarter. Whilst visitor numbers were down for the quarter due to wet weather, strong visitation in October has put them back on track for their annual target of 180,000 visitors.

#### **Other Organisations:**

### **5.10 Wellington Regional Stadium Trust**

Global uncertainty is affecting all businesses but promoters of overseas artists also face significant exchange rate risks. Consequently no concerts are currently scheduled for the 08/09 season as many artists are deferring their touring schedules.

Whilst rugby attendance numbers continue to decline (though Wellington's are the highest in the NPC) the relative success of the Lions and the Hurricanes offers assurance to the Trust. The Phoenix's average attendances so far have been lower than last year and this natural hedge against declining rugby attendances may be threatened.

### **5.11 Wellington International Airport Limited**

The Airport is well positioned to manage the current economic uncertainties after over 10 years of continued revenue and earnings growth. The competition in the market stimulated by the recent introduction of Pacific Blue has been a factor in their continued strong performance.

### **5.12 The Karori Wildlife Sanctuary Trust**

The Council recently approved an increase in the non-recourse loan to the Trust following the cost increases arising from geotechnical, heritage and consent issues, as well as additional transitional funding needed to tide the Trust over because of the consequent project delays.

In November, Council's Strategy and Policy Committee (SPC) agreed that CCOPS would monitor the Karori Wildlife Sanctuary's Visitor Centre project, in addition to the quarterly monitoring of operations. The report presented at the December CCOPS meeting is a shorter report focussing mainly on operations during the quarter whereas the next quarterly report from the Sanctuary will provide detailed information on the Project, as well as the Trust's operations, and will be presented to the Committee at its next meeting in March 2009.

Given the significant financial commitment of the Council to the Sanctuary, the SPC agreed it was appropriate for the Council's own Project Management Office (PMO) to become actively involved in the monitoring of the Project. Further to this, the SPC recommended that an independent review of the Project and of the Trust's governance be undertaken and this is currently underway.

### 6. Conclusion

A short report prepared by officers prefaces each entity's quarterly report which summarises the information for the quarter. 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:

*Allan Prangnell, Manager, Council Controlled Organisations*

*Ian Clements, Portfolio Manager, Council Controlled Organisations*

*Warren Ulusele, Portfolio Manager, Council Controlled Organisations*

*Natasha Petkovic-Jeremic, Portfolio Manager, Council Controlled Organisations*

*Jonathan Gulland, Portfolio Manager, Council Controlled Organisations*

<b>Supporting Information</b>
<p><b>1) Strategic Fit / Strategic Outcome</b>  <i>These entities and projects support the achievement of a range of outcomes across most strategic areas. Where relevant, reference is made to the 2008/09 Annual Plan.</i></p>
<p><b>2) LTCCP/Annual Plan reference and long term financial impact</b>  <i>Please refer to the individual covering report that prefaces each entity.</i></p>
<p><b>3) Treaty of Waitangi considerations</b>  <i>This report raises no new treaty considerations. Where appropriate the entities do consult with the Council's Treaty Relations unit, and with the Tenth's Trust, as part of normal operations.</i></p>
<p><b>4) Decision-Making</b>  <i>This is not a significant decision.</i></p>
<p><b>5) Consultation</b></p> <p><b>a) General Consultation</b>  <i>A draft of each entity report will be circulated to the individual entity, with comments passed on to the sub-committee as appropriate</i></p> <p><b>b) Consultation with Maori</b>  <i>See section 3, above.</i></p>
<p><b>6) Legal Implications</b>  <i>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.</i></p>
<p><b>7) Consistency with existing policy</b>  <i>This report is consistent with existing WCC policy.</i></p>