
REPORT 1

1215/57/IM

REVIEW OF 2005/06 STATEMENTS OF INTENT

1. Purpose of Report

To provide advice to the Subcommittee on the 2005/06 Statements of Intent received from Council Controlled Organisations (CCOs) and other relevant external organisations.

2. Recommendations

It is recommended that the Subcommittee:

1. *Receive the information.*
2. *Confirm any issues that it wishes to draw to the attention of the Strategy and Policy Committee regarding the Statements of Intent from:*
 - a. *Basin Reserve Trust*
 - b. *Capacity (Wellington Water Management Ltd)*
 - c. *Positively Wellington Business*
 - d. *Positively Wellington Tourism*
 - e. *St James Theatre Trust*
 - f. *Wellington Cable Car Ltd*
 - g. *Wellington Museums Trust*
 - h. *Wellington Regional Stadium Trust*
 - i. *Wellington Waterfront Ltd*
 - j. *Wellington Zoo Trust*
3. *Recommend that the Strategy and Policy Committee approve the attached letters of expectation.*
4. *Recommend that the Strategy and Policy Committee approve the extension of the following funding deeds to 30 June 2006:*
 - a. *Positively Wellington Business*
 - b. *Positively Wellington Tourism*
 - c. *Wellington Museums Trust*

3. Background

The Local Government Act 2002 (LGA) requires a council controlled organisation to present its annual statement of intent to its shareholder Council, for ratification. The statement of intent is the governance document between the shareholder / owner and the board of the particular entity. It is a public statement of how the entity will manage and protect the owner's interest. It does this by specifying its objectives, scope, activities and governance mechanism.

Schedule 8 clause 1 states that the purpose of a statement of intent is to:

- state publicly the activities and intentions of a council-controlled organisation for the year and the objectives to which those activities will contribute; and
- provide an opportunity for shareholders to influence the direction of the organisation; and
- provide a basis for the accountability of the directors to their shareholders for the performance of the organisation.

The statement of intent is required to include a number of specific items, which are set out in Schedule 8 (clause 9) of the Act. In addition, individual trust deeds, constitutions and funding deeds specify a range of reporting obligations. In some cases these include additional requirements to those set out in the Act.

It is the Subcommittee's role to review CCO statements of intent and to bring any relevant matters to the attention of the Strategy and Policy Committee before ultimately making a recommendation to the Committee that they should be approved.

Feedback to each entity must be provided by 30 April in accordance with the LGA. Each council-controlled organisation is required to consider the feedback provided, and to deliver the completed statement of intent to the Council by 30 June. These finalised documents will be presented at the Subcommittee's meeting on 30 June 2005 and subject to any further adjustments will be recommended for approval by the Strategy and Policy Committee at its meeting 4 August 2005.

4. Discussion

4.1. Entities covered by this report

The following are included by virtue of their status as Council Controlled Organisations (CCOs):

- *Basin Reserve Trust*
- *Capacity (Wellington Water Management Ltd)*
- *Positively Wellington Business **
- *Positively Wellington Tourism **
- *St James Theatre Trust **
- *Wellington Cable Car Ltd*
- *Wellington Museums Trust **
- *Wellington Waterfront Ltd*
- *Wellington Zoo Trust **

* These entities have provided additional information by including their Business and Strategic plans.

In addition, the 2005/06 Statement of Intent has been received from:

- *Wellington Regional Stadium Trust*

The Wellington Regional Stadium Trust is presently seeking a declaratory judgement through the Courts to define its status for tax and local government purposes. In July 2004, the High Court declared that the Trust was not a CCTO and that Part 5 of the Local Government Act 2002 (which deals with Council-controlled organisations) did not apply to the Trust. The IRD has subsequently appealed this decision. Notwithstanding this issue, the terms of the Trust's funding deed requires the Statement of Intent to be provided to both Councils for ratification.

4.2. Letters of expectation

Officers are proposing that a letter of expectation is sent to each of the entities. This is consistent with best practice, and is a process employed by CCMAU (Crown monitoring unit) in regard to crown entities. The purpose of the letter is to provide a formal response to the draft SOI, and also to set out the Council's expectations of each CCO. This includes some generic principles, and where appropriate sets out specific areas of focus. It should be noted that the Council's expectations will not be contrary to the objects set out in each Trust deed.

Drafts of the letter to each entity have been included with this report and the Subcommittee is being asked to recommend to the Strategy and Policy Committee that they be approved for distribution.

4.3. Compliance and modifications

Each of the statements of intent has been reviewed by officers. The following analysis will note by exception any changes, omissions or issues for the Subcommittee to consider. These have been categorised under three headings, as below.

Statutory compliance: LGA

The SOIs are reviewed against the requirements of the LGA, and in particular clause 9 of Schedule 8. These have been attached as an appendix to this report. Any exceptions from the requirements have been noted.

Modifications since last year

Any material changes, whether in the objectives, financial forecasts or key performance indicators, have also been noted.

General comments

This section covers additional points for the subcommittee to note, and includes reference to any specific matters that will be raised within the letter of expectation.

5. Analysis

5.1. Basin Reserve Trust

Compliance

The Basin Reserve Trust SOI complies with the requirements of the LGA. An initial draft was received on 4 April 2005.

Changes

As the Basin Reserve Trust was only established in February 2005, this is the first statement of intent.

Comments

This first statement of intent is a draft document. Officers will work with the trustees over the coming months to finalise this document for approval in June 2005.

5.2. Capacity

Compliance

Officers have reviewed the Statement of Intent for Capacity and no compliance issues have been raised. The draft Statement of Intent was received by 1 March 2005 as required by the LGA.

Changes

There are no major changes to the Statement of Intent between 2004/05 and 2005/06. The modifications that have been proposed by Capacity have been discussed with officers. Both parties have agreed to consider further the issue of compensation (funding) for activities, and in the meantime leave the item unchanged from last year. The agreed performance measures and targets have not been fully defined, but will be available for the final draft.

Comments

The letter of expectation notes that Capacity should have a focus on service delivery to existing customers; and suggests increased emphasis on sustainability.

5.3. Positively Wellington Business

Compliance

Officers have reviewed the Statement of Intent for PWB and no compliance issues have been raised. The draft Statement of Intent was received by 1 March 2005 as required by the LGA.

Changes

There are no major changes to the Statement of Intent between 2004/05 and 2005/06. PWB has retained the macro measures and targets as agreed for the previous year.

Comments

The level of compensation (funding) identified within the Statement of Intent is shown as \$2.100 million. The recommended funding within the 2005/06 Draft Annual Plan is \$2.010 million. This will be confirmed at the 2005/06 Annual Plan Deliberations during June 2005.

Due to the time lag in obtaining economic data, proxy measures have been used to measure the performance for PWB. It is recommended that a further review of the measures is undertaken over the coming months to ascertain whether other, more appropriate measures are available. The new chief executive is in the early stages of reviewing the strategic direction of PWB. The Council over the coming months will receive feedback on this process.

5.4. Positively Wellington Tourism

Compliance

Officers have reviewed the Statement of Intent for PWT and no compliance issues have been raised. The draft Statement of Intent was received by 1 March 2005 as required by the LGA.

Changes

There are no major changes to the Statement of Intent between 2004/05 and 2005/06. PWT has retained the macro measures agreed the previous year. The targets will be available for the final statement of intent.

Comments

The level of compensation (funding) identified within the Statement of Intent is shown as \$4.235 million. The recommended funding within the 2005/06 Draft Annual Plan is \$4.116 million. This will be confirmed at the 2005/06 Annual Plan Deliberations during June 2005.

Due to the time lag in obtaining tourism data, proxy measures have been used to measure the performance for PWT. It is recommended that a further review of the measures is undertaken over the coming months to ascertain whether other, more appropriate, measures are available.

5.5. St James Theatre Trust

Compliance

Officers have reviewed the Statement of Intent for St James and no compliance issues have been raised. The draft Statement of Intent was received by 1 March 2005 as required by the LGA.

Changes

There are no major changes to the Statement of Intent between 2004/05 and 2005/06. The St James has retained the macro measures agreed the previous year. The targets will be available for the final statement of intent.

Comments

The St James has highlighted within its business plan that it is currently looking at options to enhance the usage of non performance related food and beverage and / or event space during programmed weeks without interrupting any performance or related business. The Council would also like to ensure that space is used effectively without compromising the core theatre business.

5.6. Wellington Cable Car Ltd

Compliance

Officers have reviewed the Statement of Intent for WCCL and no compliance issues have been raised. The draft Statement of Intent was received on 22 March 2005.

Changes

There are no major changes to the Statement of Intent between 2004/05 and 2005/06. The company has retained the macro measures from the previous year.

Comments

The letter of expectation seeks greater understanding of the tourism element of the cable car business, with a view to growth in this market segment. In addition, further performance measures are sought, relating to reliability and cost effectiveness.

5.7. Wellington Museums Trust

Compliance

Officers have reviewed the Statement of Intent for WMT and no compliance issues have been raised. The draft Statement of Intent was received by 1 March 2005 as required by the LGA.

Changes

There are no major changes to the Statement of Intent between 2004/05 and 2005/06. WMT has retained the macro measures agreed the previous year except the measure relating to average income for retail visitor. This is to be reinstated as part of the final statement of intent.

There has been a decrease in the expected level of visitation for Capital E and the Wellington City and Sea Museum. Visitation forecasts from the Tourism Research Council show that the level of international visitors to Wellington will continue to increase. WMT host a high proportion of international visitors and as a result officers would not expect visitation to decrease. Officers will work with WMT to agree acceptable targets for each performance measure.

Comments

The level of compensation (funding) identified within the Statement of Intent is shown as \$4.093 million. The recommended funding within the 2005/06 Draft Annual Plan is \$4.053 million. This will be confirmed at the 2005/06 Annual Plan Deliberations during June 2005.

5.8. Wellington Regional Stadium Trust

Compliance

Officers have reviewed the Statement of Intent for the Trust and no compliance issues have been raised. The draft Statement of Intent was received by 1 March 2005 as required by the LGA (being one month earlier than required under the Trust's funding deed).

Changes

The ratio of shareholders funds to total assets has been adjusted to remove the limited recourse loans from the calculation of equity. This does not change the underlying data.

Comments

The letter of expectation seeks assurance that recent sound issues will not have a detrimental effect on future events (whether from visitor perceptions or promoter reaction).

5.9. Wellington Waterfront Ltd

Compliance

Officers have reviewed the Statement of Intent for the company and no compliance issues have been raised. The draft Statement of Intent was received by 1 March 2005 as required by the LGA.

Changes

There are no major changes to the Statement of Intent between 2004/05 and 2005/06.

Comments

The letter of expectation asks for the addition of measures and targets relating to project cost and quality, in addition to the current timeliness measure.

5.10. Wellington Zoo Trust

Compliance

Officers have reviewed the Statement of Intent for WZT and no compliance issues have been raised. The draft Statement of Intent was received by 1 March 2005 as required by the LGA.

Changes

There are no major changes to the Statement of Intent between 2004/05 and 2005/06. WZT has retained the macro measures agreed the previous year, except for an additional measure, the proportion of non-Council funding derived by the Trust. Officers recommend that this be accepted.

Comments

The level of compensation (funding) identified within the Statement of Intent is shown as \$2.428 million. The recommended funding within the 2005/06 Draft Annual Plan is \$2.298 million. This will be confirmed at the 2005/06 Annual Plan Deliberations during June 2005.

6. Conclusion

The review of the statements of intent provides an opportunity for the CCO Performance Subcommittee to identify any particular lines of enquiry or issues that need to be drawn to the attention of the Strategy and Policy Committee. It also provides an opportunity to offer feedback to each CCO regarding their draft statement of intent. The final Statements of Intent should be provided to the Council by 30th June 2005, after which time they will be submitted for the Subcommittee's final approval.

Contact Officer: *Kevin Murphy, Director Council Controlled Organisations*

Supporting Information

1) Strategic Fit / Strategic Outcome

The operations of the entities covered by this report support a variety of strategic objectives as set out in the 2005/06 Draft Annual Plan.

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

Any changes indicated by the entities are as included in the 2005/06 Draft Annual Plan.

3) Treaty of Waitangi considerations

There are none arising from this report.

4) Decision-Making

This does not involve a significant decision. The report reviews the statements of intent for the entities and forms the governance document between the Council and the entity.

5) Consultation

a) General Consultation

Discussions have been held with each entity regarding the detail set out in its statement of intent. Each has been provided with an opportunity to comment. Where considered appropriate, these comments have been incorporated into the covering report.

b) Consultation with Maori

Where considered appropriate, discussions will be held with local Maori, and these comments will be incorporated into the covering report. There were no such issues arising from this report.

6) Legal Implications

Each Statement of Intent complies with the requirements of the Local Government Act 2002.

7) Consistency with existing policy

This does not involve a policy decision. The report reviews the statements of intent for the entities.