

Ms Fran Wilde
Chair
Wellington Waterfront Limited
PO Box
Wellington

Dear Fran

2005/06 Statement of Intent and Council Expectations

Thank you for the draft Statement of Intent (SOI) that you provided to the Council for review. It was considered on 11th April by the Council Controlled Organisation Performance Subcommittee which then made recommendations to the Strategy and Policy Committee regarding the matters the Council should, if necessary, ask Wellington Waterfront Limited (WWL) to reflect in its SOI prior to Council adoption. Subsequently, at its meeting of 21 April, the Strategy and Policy Committee approved the contents of this letter.

Under Schedule 8 of the Local Government Act 2002 a key purpose of a statement of intent is ...”to provide an opportunity for the shareholders to influence the direction of the organisation.” With this in mind, for the first time, the Council has decided it will be more proactive in setting its expectations of WWL in the coming year. Accordingly, this letter sets out our response to the SOI and also our expectations of the contribution of WWL in achieving the vision for our city as *Creative Wellington – Innovation Capital*.

The Council envisages that its expectations will be reflected in the final statement of intent to be approved. I would be happy to elaborate on the Council’s position in regard to the contents of this letter, if you or your board wishes to discuss them.

Ownership and Control Objectives

Section 59 of the Local Government Act 2002 sets out statutory objectives that a Council Controlled Organisation (CCO) must fulfil. They are:

- To achieve the objectives of its [settlor(s)/shareholders] both commercial and non-commercial, as specified in the SOI;
- To be a good employer;

- To exhibit a sense of social and environmental responsibility by having regard to the interests of the community in which it operates and by endeavouring to accommodate or encourage these when able to do so;
- To conduct its affairs in accordance with sound business practice.

In addition, the Council's general objectives for CCOs are that they should:

- have a partnership approach with Council and other CCOs;
- have a regional focus, where this is appropriate;
- achieve maximum effectiveness and efficiency of, and concentrated focus on service delivery;
- access alternative sources of funding and endeavour to reduce their reliance on ongoing Council funding; and,
- operate at breakeven¹.

Expected Contribution to Council Objectives

The Council's strategic direction continues to build on its vision for Wellington city as *Creative Wellington – Innovation Capital* and it is vital that WWL continues to deliver on the Council objectives to enable this vision to be achieved.

The business plan and SOI should clearly demonstrate how WWL contributes to the Council's strategic direction and outline how WWL's objectives and strategies underpin this.

However, there are no additional specific objectives that the Council wishes to see incorporated into the SOI at this time.

Desired Results

We note that some performance targets and measures are still to be provided. We would like WWL to consider including performance measures for project cost and quality, alongside the measure of project timeliness which is in the SOI.

Please note that the compensation from the Council will need to be updated for the final SOI with the final values included when these are confirmed in the Annual Plan process.

¹ They are not required to generate a profit or surplus apart from where this is required to meet financial obligations. Neither are they required to pay a contribution or dividend to Council.

Performance Reporting Expectations

Financial Information

We wish to clarify the information we require to be provided to the Council under Sec 9. 1 (h) of Schedule 8 of the Local Government Act 2002 and establish the standards for this information.

Consolidated financial statements covering 2005/06 and the two following years should be incorporated in the Trust's strategic or business plan that is provided to the Council. This should include a statement of financial performance, statement of financial position and cashflow statement.

For reporting purposes the Trust is required to provide a budgeted statement of financial performance for each quarter for 2005/06.

A draft template is attached that sets out the suggested format for providing financial information.

Performance Targets

Where it is appropriate the performance targets should also be provided for each quarter so that actual performance can be monitored on a quarterly basis. The quarterly targets should be phased appropriately to reflect any seasonal differences that are expected.

Conclusion

In developing its business plan and final SOI for the 2005/06 year Council would like the Board to consider these issues and ensure that they are taken into account.

We look forward to receiving your final SOI before 30 June 2005.

Yours sincerely

Garry Poole
Chief Executive