
REVIEW OF THE 2003/2004 ANNUAL REPORTS AND FINANCIAL STATEMENTS OF COUNCIL ORGANISATIONS AND OTHER ENTITIES

1. Purpose

This report reviews the annual reports or financial statements submitted by Council Organisations (COs) and a number of other external organisations. It highlights a number of issues for the Subcommittee's to consider.

Section 65 of the Local Government Act 2002 requires the Council to "...regularly undertake performance monitoring of that organisation to evaluate its contribution to the achievement of –

- (a) the local authority's objectives for the organisation: and....
- (c) the overall aims and outcomes of the local authority."

In many cases the objective and desired outcome of the Council's involvement in and/or funding of a CO's activities is not explicitly stated. This review is an initial step in this process. A number of other entities that are not classified as COs¹, have also been reviewed due to the financial commitment by the Council to those entities.

2. Recommendations

It is recommended that the Subcommittee

1. *Receive the information.*
2. *Confirm any issues it wishes the Chair of this Subcommittee to raise with the Council Organisations.*
3. *Confirm any issues it wishes to raise with the Strategy and Policy Committee.*

3. Background

The annual reports received from COs have been reviewed by officers to assess any risks or issues from the perspective of the Council's interest. It is the Subcommittee's role to review this report and bring any matters of importance to the Strategy and Policy Committee's attention.

¹ To be a Council Organisation requires the Council to have the right to board representation

4. Organisations Reviewed

The following Council Organisations have been included in this review:

Organisation	Council 2003/04 financial commitment
Wellington International Airport Ltd	34% Shareholding net asset value \$49m plus \$14m debt
NZ International Festival of the Arts Trust	600,000
Karori Wildlife Sanctuary Trust	574,000
Sink F69 Trust	Agreement to underwrite costs to 600,000
Carter Observatory Board	150,000
Wellington Region 2020 Communications Trust	135,129
NZ Academy of Sport Central	50,000
Christmas Parade Trust	35,000
Education Wellington International ²	30,000
Wellington Xiamen Association	15,000
Wellington Youth Orchestra	9,600
Festival of Japan Trust	5,000
Creative Communities Scheme	Administration of this scheme
Wellington City Lender of Last Resort Trust	3,000
Joe Aspell Trust	In kind audit
Adams Foundation Trust	Nil
Hannah Playhouse Trust	Nil
Hutt Minoh Friendship House Trust	Nil
Lyall Bay Reef Charitable Trust	Nil

Financial Information has also been provided from the following entities:

Organisation	Council 2003/04 financial commitment
Museum of New Zealand Te Papa Tongarewa	2,000,000
New Zealand Schools of Dance & Drama Premises Management Trust	150,000 capital
New Zealand Film and Television School	Loan of 87,000
Wellington Regional Orchestra Foundation	50,000

5. Discussion

The annual report of each organisation has been reviewed and summarised in the attached appendices. Key issues from the review are as follows.

Wellington International Airport

- This is the largest CO, represented by the value of the Council's shareholding in the company and subordinated debt held by the company. The Council's shareholding has a book value of \$49 million, however no dividend was paid to the Council in 2003/04 on this investment.
- Settlement of landing charge disputes and the conclusion of the Commerce Commission inquiry during 2003/04 is likely to improve financial performance for the company. However, as was the case in 2003/04, any improvement in financial performance will not necessarily reflect in an improved dividend return for the Council. The dividend policy will remain a company issue and influenced by the majority shareholder, Infratil.

² Education Wellington International is now part of Positively Wellington Business.

- Given the significance of this shareholding, it is recommended that Wellington Airport should be part of a continued monitoring framework that reports against the Council objectives for this investment.
- While the shareholding is a strategic asset for the Council, the objectives of the Council for this shareholding need to be clearly defined so that future monitoring can be undertaken against agreed measures.

Te Papa

- Te Papa is not a CO; however it receives a material financial contribution of \$2.0 million from the Council. This funding is 5% of Te Papa's revenue and is still significant for Te Papa, despite its reliance (48%) on Crown funding.
- Te Papa is a significant contributor to the city economy. It remains the major visitor attraction in the city and has key linkages with a number of Council achievement areas.
- Visitor numbers to Te Papa have remained at approximately 1.3 million over the last five years. In 2003/04, 1.289 million people visited Te Papa. This was 4% below the previous year. However overall numbers have been maintained by growth in international visitors. International visitors were 45% of adult visitors in 2003/04. This compares to 41% of adult visitors the previous year, and 32 % of total visitors in 1999/00.
- The contract with Te Papa aims to encourage alignment and leverage between the visitor attractions at Te Papa with other city attractions and the creative community in Wellington.
- The funding agreement could include more closely defined measures, such as set targets for NZ visitor numbers from outside Wellington and subject to agreement on joint initiatives, to help ensure that the economic benefits sought by the Council are being achieved.

International Festival of the Arts

- The Council has been a core funder of this festival since its inception in 1986. The funding provided by the Council, \$1.1 million over two years³, is key to the Festival's viability and supports the administration costs of the Festival. The Festival itself is established as a key event in the national arts calendar and is strongly associated with Wellington city.
- The Festival is considered outside the events funding criteria. The assessment of the economic impact of the 2000 Festival was that it added \$12.7 million in value to the Wellington city economy (excluding the impact of the Edinburgh Tattoo).
- Key points from the review of the 2004 festival include that;
 - Approximately 1 in 10 Wellingtonians had friends or family from out of town stay to attend a festival event and 41% of those attending from outside the region stayed in paid accommodation.
 - In 2004, 30% of Wellingtonians aware of the Festival attended at least one event (52% in 2002)
 - In 2004, 4% of New Zealanders aware of the Festival attended at least one event (7% in 2002).

³ The Council provided funding of \$600k in 2003/04 and \$500k in 2002/03.

- Defined targets and monitoring against these targets is required to enable the Council to continue to assess the effectiveness of its funding and how the economic benefits from the Festival accrue to Wellington city.

Karori Wildlife Sanctuary

- This CO is reliant on Council funding and support, with the Council funding 34% of the Trust revenue and guaranteeing the \$1.5 million loan from the Community Trust.
- The business case outlining future options for the sanctuary is due to be considered by the Council. The outcome from this will determine the level of future involvement by the Council.
- The sanctuary is part of a wider strategy of developing high quality natural habitat in Wellington that allows wildlife to thrive, and educational attractions that promote Wellington as a visitor destination. The sanctuary is continuing to establish its presence in the region. Visitor numbers have been maintained and the conservation programme is continuing to increase its diversity.

Carter Observatory

- The Observatory is another visitor attraction within the city and it is also reliant on Council funding with 17% of revenue from Council funding in 2003/04.
- It has developed distance education modules to expand its range of services and became registered as a Private Training Establishment offering a range of Astronomy courses.
- It has had a key focus on evaluating future options for the Observatory and a business case is being prepared for the Council's consideration. The proposed changes to the Crown's direct involvement in the Observatory and the development of the business case provides the Council with an opportunity to work closely with Observatory to define its future role in the city and understand how this aligns with Council goals.

New Zealand Schools of Dance & Drama Premises Management Trust and the Hannah Playhouse Trust

- These two Trusts own and manage the properties used by sporting and cultural groups. The Hannah Playhouse Trust is a CO. In both cases the Council has provided financial support to enable the Trusts to meet their commitments.
- The Council could consider reviewing the options for those areas where the Council has a property management interest to see if there are any alternative structures that would provide more effective coordination of the Council's involvement.

NZ Film and Television School

- Repayment of the Council loan of \$87k is continuing and this is expected to be complete in 2005. Relocation options for the school are being considered and this includes working through options with Council officers.

NZ Academy of Sport

- The Council actively supported the establishment of this Academy in Wellington, and has provided funding of \$50k in 2003/04. The Academy is not reliant on the Council funding at this point (4% of revenue) and is in a

financially stable position. The funding provided could still be considered as Council support for its establishment and the economic benefit for the city.

- When the Council participated in a joint bid to establish the Academy in Wellington, the decision to provide funding was based on the Academy providing economic benefit, Council support for education sector, achievement of recreation outcomes, and a good fit with the strategic direction of the city.
- However given the Academy's financial position, at the next review this funding might be able to be reprioritised to support other new initiatives in the city. A total of \$350k will have been provided to the Academy by 2005/06, when the current funding commitment has come to an end.

Sink F69 Trust

- The funding agreement between the Council and the Trust is still yet to be finalised however this project is likely to proceed in 2005.
- Given the commitment to underwrite the project costs up to \$600k, close monitoring will be undertaken for the duration of this project to ensure the financial risk for the Council is understood and managed. This is likely to be monthly or weekly in the initial stages.

Christmas Parade Trust

- There have been some continuing issues with this event. There were 14 community groups in the 2003 parade, which provides some indication of the level of its community support. And the future direction for the event is not clear. Council funding should be reviewed unless clear direction can be provided by the Trust on how it can increase community ownership and involvement in this event.

6. Accountability Documents

To ensure that the reason for the Councils involvement in these organisations is clearly understood and well documented, an appropriate accountability document should be in place to govern the relationships.

This process is in place where organisations obtain funding through the grants processes. There are targets set and review processes in place which achieve this purpose.

However for the organisations which receive funding through other Council processes or have board representation, a similar process to Council Controlled Organisations is required. A document, similar to a Statement of Intent is required, which sets out the organisation's purpose and defines how this aligns with Council outcomes. This would also establish performance measures for any funding. This could provide an overall framework for the relationship and would provide the basis for future reviews.

7. Monitoring Level

The following factors should be taken into account to establish the level of monitoring to be undertaken by the Council.

- The level of financial commitment by the Council
- The significance of the project or organisation to achieving the Councils outcomes.
- The financial risk of the project or organisation, and;

Those organisations that have high financial commitment or risk, or have a significant impact on the Councils outcomes would receive more regular financial and performance monitoring by the Council than those which do not fit these criteria. This list would change as commitments by the Council changed and should be reviewed annually by the Subcommittee.

The organisations that would meet these criteria, based on 2003/04 funding and current commitments, include;

	Level of Financial Commitment	Materiality* of the Project or Organisation to Council Outcomes	Financial risk
Wellington International Airport Ltd	✓		
The Museum of New Zealand Te Papa Tongarewa	✓	✓	
NZ International Festival of the Arts Trust	✓	✓	
Karori Wildlife Sanctuary Trust (business case dependent)	✓	✓	
Sink F69 Trust (for the project duration)			✓
NZ Film and Television School Trust (Loan)			✓

*Officers have set the level of materiality above \$500k.

The remaining organisations would continue to be subject of an annual review and a report to Council on the outcomes achieved by the organisation.

It is recommended that the Subcommittee confirms those organisations that the Council should monitor regularly and any issues that officers should take into account in this process.

8. Conclusion

The review of the Annual Reports provides an opportunity for the CCO Performance Subcommittee to identify any particular issues that need to be explored with the entities. It is proposed that the Subcommittee identify these issues for the CCO Unit to take up with each relevant Chair and raise at the next Strategy and Policy Committee.

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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 KAAs. Where relevant, reference is made to the 2004/05 Annual Plan.

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

Please refer to section 6 of the report.

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

Not applicable

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.

7) Consistency with existing policy

This report is consistent with existing WCC policy.