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## **REVIEW OF THE 2004/05 ANNUAL REPORTS AND FINANCIAL STATEMENTS OF COUNCIL ORGANISATIONS AND OTHER ENTITIES**

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### **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 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 COs<sup>1</sup>, 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 the following issues it wishes the Chair of this Subcommittee to raise with the Council Organisations.*  
**Or:**  
*Note there are no issues for the Chair to raise with the Council Organisations.*
3. *Confirm any issues it wishes to raise with the Strategy and Policy Committee.*  
**Or:**  
*Note there are no issues for the Chair to raise with the Strategy and Policy Committee.*

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<sup>1</sup> To be a Council Organisation requires the Council to have the right to or to have board representation

### 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.

### 4. Organisations Reviewed

The following Council Organisations have been included in this review:

Organisation	Council 2004/05 financial commitment
<b>Now included with CCO reporting</b>	
Wellington International Airport Ltd	34% Shareholding net asset value \$49m plus \$14m debt
Karori Wildlife Sanctuary Trust	600,000

#### Included in this report

NZ International Festival of the Arts Trust	600,000
Carter Observatory Board	150,000
Wellington Region 2020 Communications Trust	135,129
Sink F69 Trust	Underwrite agreement to 600,000, current balance \$109k
NZ Academy of Sport Central	50,000
Christmas Parade Trust	35,000
Wellington Youth Orchestra	1,200
Festival of Japan Trust	Nil
Creative Communities Scheme	Administration of this scheme
Joe Aspell Trust	Accounting and audit services
Wellington Xiamen Association	Nil
Wellington City Lender of Last Resort Trust	Nil
Adams Foundation Trust	Nil
Hannah Playhouse Trust	44% shareholding
Hutt Minoh Friendship House Trust	Nil
Lyll Bay Reef Charitable Trust	Nil

Financial information has also been provided from the following entities:

Organisation	2004/05 Council 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	65,000

### 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.

#### *Te Papa*

- Te Papa is not a CO however it receives \$2.0 million from the Council which represents a subsidy of \$1.58 per visitor.
- The Strategic Marketing Unit manages the relationship with Te Papa to ensure that the benefits sought by the Council are being achieved. The contract aims to encourage alignment and leverage between the visitor attractions at Te Papa with other city attractions and the creative community in Wellington.

- Te Papa reports on the funding agreement each year. This year there has been more comprehensive host briefings by Council staff and complementary venue use. Te Papa has worked with the Wellington Museums Trust to loan a number of items for exhibits and to share resources where appropriate. The major value contributed by Te Papa is its position as the major visitor attraction and a significant contributor to the city economy.
- Visitor numbers to Te Papa have remained at approximately 1.3 million over the last five years. In 2004/05, 1.264 million people visited Te Papa. This was 2% below the previous year and 5% below the average for 1999/2003 period. International visitors were 52% of adult visitors in 2003/04. This compares to 45% of adult visitors in the previous year, and 32 % of total visitors in 1999/00. International exhibitions are now a significant aspect of the operation with an additional 435,180 visitors to international exhibitions during the year.

### *International Festival of the Arts*

- The Council has been a core funder since the festivals inception in 1986. The Festival has become a key event in the national arts calendar and is strongly associated with Wellington city. The \$0.6 million funding provided by the Council funds the administration costs of the Festival. The 2005/06 Annual Plan increases the funding to \$0.75 million each year.
- The next festival is planned for early 2006 and the Council has been briefed on the planning for this event which has been launched on November 2<sup>nd</sup>.
- The post festival review will be important in evaluating the effectiveness of current and future funding.
- Maintaining capability for the events based CO's is important with a number of smaller CO's involved. The Council may wish to further consider how it can assist with maintaining this capability within its wider events strategy.

### *Carter Observatory*

- The future for the Observatory remains in development. A business case is being developed for developing the current site. Council is assisting with funding specialist design expertise and ensuring that this links with the development of the Cable Car Precinct.
- It is reliant on Ministry of Research Science and Technology (MORST), Ministry of Education, Council and other grant funding for its ongoing viability. Its removal from statute and options for its future structure remain in discussion.
- MORST has \$1.5 million capital funding in its Vote available for the Observatory subject to business case approval. This is unlikely to be sufficient to address the technology and visitor experience capital needs of the Observatory. Carter is working with MORST on a business case for central government funding. However it is likely that the Board will also approach the Council for support.
- The financial situation of the observatory requires careful management to ensure it can meet its commitments.
- The grant funding from WCC was increased from \$64k to \$150k in 2003/04. This higher level of funding ends in the current year and future funding should be considered in the 2006/07 LTCCP.

### *Sink F69 Trust*

- The underwrite agreement between the Council and the Trust was finalised and the project has proceeded since March 2005.
- Discussions have taken place with the Council on the use of the propellers from the frigate and the advertising opportunities for the sinking ceremony. Verbal agreement has been reached on this which will enable a significant amount of the underwrite value to be repaid.
- A total of \$204k was drawn down by the Trust to enable it to meet its cashflow commitments and of this \$95k has been repaid to the Council. The balance outstanding at this point is \$109k. The final outcome of the project will be more certain in the next month and the Trust has indicated that there is likely to be a shortfall. Officers will be meeting with the Trust to discuss this when the final outcome is clarified.

### *NZ Academy of Sport*

- The Council actively supported the establishment of this Academy in Wellington, and has provided funding of \$50k in 2004/05. The funding does not continue in the Annual Plan. The Academy is not reliant on the Council funding and is in a sound financial position.
- 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.

### *NZ Film and Television School*

- This is the final report on the School and the repayment of the Council loan has now been completed. The chair of the Subcommittee has written to the School following the last meeting in support of the schools activities and acknowledging the repayment of the loan.

## **6. Monitoring Level**

When the last report was completed on CO's it was recommended that the following factors 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.

Those organisations that have higher financial commitment or risk, or have a significant impact on the Councils outcomes would receive more regular financial and performance monitoring.

The organisations included previously for more regular monitoring were:

	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	✓	✓	
Sink F69 Trust (for the project duration)			✓
NZ Film and Television School Trust (Loan)			✓

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

The following changes are recommended – to remove

- NZ Film and Television School now that the loan has been repaid

Note that no entities have been identified for addition to this list.

## 7. 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.

Contact Officer: *Wayne Maxwell, Acting Director Council Controlled Organisations*

## **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 4 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.*