

REPORT 1
1215/57/IM

REVIEW OF THE PERFORMANCE OF ALL COUNCIL CONTROLLED ORGANISATIONS FOR THE QUARTER ENDED 31 MARCH 2005

1. Purpose of Report

To provide the Subcommittee with an analysis of the performance of all Council Controlled Organisations for the quarter ended 31 March 2005, in compliance with Local Government Act 2002 and Council reporting requirements.

2. Recommendations

It is recommended that the Subcommittee:

1. *Receive the information.*
2. *Confirm the issues, if any, that the Subcommittee wishes the Chairman of the Subcommittee to raise with the Chairpersons of the entities covered by this report in regard either to their performance for the quarter ended 31 March 2005 or to other matters of concern to the Subcommittee.*
3. *Confirm the issues, if any, that the Subcommittee believes should be brought to the attention of the Strategy and Policy Committee in regard either to any entity's performance for the quarter ended 31 March 2005 or to other matters of concern to the Subcommittee.*

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 (CCOP), formerly the Monitoring Subcommittee, 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 (Wellington Water Management Ltd)
 Positively Wellington Business (Wellington Regional Economic Development Trust)
 Positively Wellington Tourism (Partnership Wellington Trust)
 St James Theatre Charitable Trust
 Wellington Cable Car Ltd
 Wellington Museums Trust
 Wellington Waterfront Ltd
 Wellington Zoo Trust

4.2 Wellington Regional Stadium Trust

Note that the status of Wellington Regional Stadium Trust is presently being determined through the courts. A recent decision by the High Court has been appealed by IRD. Until this appeal is heard, the status of the Trust is unclear, but the Council opts to review the Trust regularly due to materiality, and according to the terms of the funding deed. Currently this requires the Trust to report to the Council on a half-yearly basis, and as such the Trust has not been included with this review.

4.3 Council Organisations

At the CCOP Subcommittee meeting on 14 February it was recommended that a number of Council Organisations would also be monitored on a quarterly basis. These are shown in the following table.

| | 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 following entities have been included within this quarter:

The Karori Wildlife Sanctuary Trust
Wellington International Airport Limited
NZ Film and Television School
Sink F69 Trust
Te Papa

Officers are working with the International Festival of the Arts Trust to ensure it is able to report to the Sub Committee with effect from 1 July 2005.

5. Issues for the Subcommittee to consider

Council Controlled Organisations:

5.1 Basin Reserve Trust

- This is the first report by the Trust since its formation on 24th February. The report covers the full year from 1 July 2004.
- The Trust is on track to record a healthy surplus for the year, partly as a result of the extra ground hire (for the one day international). The surplus will be used for maintenance and upgrades.

5.2 Capacity - Wellington Water Management Ltd

- The savings model has been agreed in principle by the shareholders. Results will be reported by Capacity at year end.

At the last meeting of the Subcommittee, it was agreed that future reviews of Capacity would include a comment from the Council officers, focussed on a customer perspective. For the March quarter, the following comments have been provided by Stavros Michael, the Council's Infrastructure Manager:

Capacity moved into their new premises in April 2004. Company restructuring was completed in November 2004 while at about the same time Capacity and WCC concluded a Service Level Agreement. It is normal during transition periods for companies to experience erosion of their skill base and discomposure from their key strategic focus as staff are concerned about their long term professional objectives.

A number of performance issues and the Council's expectations were brought to the attention of the company's CEO early in 2005. Jointly, Council Infrastructure management and Capacity have developed a range of key operational and strategic objectives that form the basis for satisfying the requirements of the Service Level Agreement between Capacity and the Council's Infrastructure. Broadly these objectives address;

- Asset Management improvement tasks (to elevate AMPs to Advanced status as required by the LGA)
- Asset information management
- Resource consents status and expected actions
- Community Planning and Levels of Service option assessment
- Service procurement (contracts)

- Performance indicators (Capacity)

At the operational level monitored issues are;

- Project status against the Business Plan
- Contractor performance
- Customer service performance
- Relationship management
- Policy development contribution.

These objectives are demanding and are currently testing Capacity's capabilities and skill base. However, the Council's Infrastructure Management is confident that Capacity will be in a position to deliver the required levels of professional services in the near future. During the third quarter step improvements were achieved and these are expected to be consolidated and expanded.

Copies of the Quarterly Report are also included with this report. These show the activities where Capacity is involved as a service provider to the Council.

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

- PWB continues to play a key role in the development of the Wellington Regional Strategy, which will inform the Trust's future strategy and business direction.

5.4 *Positively Wellington Tourism (Partnership Wellington Trust)*

- A number of the performance indicators relating to the Downtown campaign will not be measured due to a change in the strategy for 05/06. The research funds will be redirected to further qualitative research to assist in defining the 05/06 strategy.
- The launch of the Australian advertising campaign is underway.
- The initiative relating to the cultural tourism product at Te Papa is currently being reviewed and the next steps have yet to be determined.
- Strategy and Policy Committee recommended that PWT be provided additional operational funding (\$505k) for CPI increases, Australian Campaign and Research. This decision is subject to final ratification by the Council.

5.5 *St James Theatre Charitable Trust*

- A difficult year ahead due to a cancellation from a major hirer.
- The Trust continues to assess opportunities for joint venture projects.

5.6 Wellington Cable Car Ltd

- The company is continuing discussions with GWRC and WCC regarding the overheads network. These discussions encompass ownership of the network, as well as the next contract for maintenance. While broad agreement has now been reached for funding the trolley bus service over the next ten years, the contractual details will take some time to finalise.
- Cable car passenger numbers in the quarter continued to be above the previous year. The numbers are attributed to the levels of visitors to the city this year.

5.7 Wellington Museums Trust

- The Trust with officers' assistance will be undertaking a review of the Wellington Museums Trust over the coming months. The Trust as part of its 3rd quarter report has included a one page draft summary of what the review will cover. This requires further guidance from the Subcommittee.
- Strategy and Policy Committee recommended that WMT be provided additional operational funding (\$60k) for CPI increases. WMT has requested a further \$40k to fund further business as usual expenditure and this was declined at the Strategy and Policy Committee 21 June. This decision is subject to final ratification by the Council.

5.8 Wellington Waterfront Ltd

- The Waitangi Park Area One development is continuing with a number of operational issues being worked through. Fletchers were appointed to project manage, but subsequent to the quarter Fletchers have replaced CSC on the project. WWL has assured the Council that the project will still be delivered on time. Cost increases are likely, but are expected to be managed within the overall (Framework) Project budget.
- Officers are working with WWL to identify the forecast operating costs for the waterfront post-implementation. Indications are that implementation will take 2-3 years once planning is complete – or until 2011. After that point, the net cost of waterfront operations is estimated at between \$1m - \$2m. This includes relatively fixed costs such as insurance, rates and depreciation; and more discretionary items such as ongoing events.

5.9 Wellington Zoo Trust

- The Trust requested an advance of \$100k of the 2005-2006 operating grant. The Trust's cash flow forecast reflected a breakeven position. However, as a precautionary measure officer have agreed to the advance.
- Visitor numbers surpassed targets but revenue from admissions is below budget. The Trust has commented that this is the result of an increased proportion of visitors paying discounted entry fees.

- The 2005-2006 capital requirements have been reviewed during the Annual Plan deliberations 21 June and the funding for the major capital project, the Chimp Quarters was approved by the Strategy and Policy Committee. The additional opex funding of \$65k was also approved. This decision is subject to final ratification by the Council.
- The long range development plan for the Zoo continues as a major focus for the Trust. This bid for funding will now be presented to the Council during the 2006-2007 Annual Plan round, during November.

Other entities:

5.10 NZ Film and Television School Trust

- The Film School is reliant on student enrolments for its income. This means its ability to function effectively has to date been dependent on achieving a breakeven intake of some 30 students each year (the School's target is 32). The School is achieving the breakeven, and will thus be able to fully repay the Council's loan on schedule in July. Going forward the School will need to undertake capital replacements. While this will not be easy financially, the School is now on a sound footing for the future.
- The Film School is working on initiatives to diversify its income, and in so doing reduce the reliance on enrolments. These include working with community groups on film projects, and developing a resource centre for emerging film-makers.

5.11 Sink F69 Trust

- The Sink F69 Trust is not completing financial reports, but has provided the Council with regular updates to its project plan and budget. A copy of the budget to 5th April is attached with this report. It shows a draw down on the Council's underwrite facility of \$155,000 in April/May, to be repaid in July and November instalments. Note that as at March nothing had been drawn.
- The Trust has subsequently drawn down:
 - \$99,225 in April
 - \$104,756 in June
- The budget now forecasts
 - No further draw downs
 - Repayment in July, September and November
- Officers are working with the Trust to understand what progress is being made, in particular with fundraising activities, but also in managing costs.

5.12 Wellington International Airport Limited

- The company continues to show strong performance, in both passenger numbers and financial results. However the company has not declared a dividend. Discussions continue between Council officers and representatives of Infratil.

5.13 The Karori Wildlife Sanctuary Trust

- The Strategy and Policy Committee during the Annual Plan deliberations agreed to support the Karori Wildlife Sanctuary Trust in delivering the Sanctuary of New Zealand project. However, this is conditional upon achieving funding from other sources including the Government. This decision is subject to final ratification by the Council.

5.14 Te Papa

- Following discussion with Te Papa management officers are now able to include for information a review of the 3rd quarter period. The report details the benefits that Te Papa delivers to the Council in recognition of the ongoing sponsorship and as founding partner.
- The report provided by Te Papa includes Visitor and Market Research – this information provides a useful analysis of repeat visitation; satisfaction; gender, age groups and ethnicity.

6. Conclusion

A covering report 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 believes it will help clarify the information presented or assist with its monitoring role the Subcommittee can also ask the Chairman to seek responses from a Board or Trust Chairperson to any queries it may have. These responses would then be tabled at the next meeting of the Subcommittee.

Contact Officer: Amarjit Younger, *Portfolio Manager, 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 the individual covering report that prefaces each entity.

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

A draft of each entity report has been circulated to the individual entity and their comments have been incorporated into the final report as appropriate.

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.