
REVIEW OF THE 2006/07 ANNUAL REPORTS AND AUDITED FINANCIAL STATEMENTS OF COUNCIL CONTROLLED ORGANISATIONS

1. Purpose

This report provides the Subcommittee with a review of the annual reports submitted by Council Controlled Organisations (CCOs) for Council approval in compliance with the requirements of the Local Government Act 2002. Separate covering reports including – as relevant - matters for the Subcommittee's consideration, preface each entity's documents.

2. Recommendations

It is recommended that the Subcommittee

- 1. Receive the information.*
- 2. Note that there are no issues for the Chair of this Subcommittee to raise with the Chairs of the entities.*
- 3. Note that there are no issues to be brought to the attention of the Strategy and Policy Committee.*

3. Background

The audited annual reports received from CCOs have been reviewed by officers to assess any risks or issues from the perspective of Council's shareholder interest. Issues have been discussed with the relevant entity. These annual reports with an officer covering report are attached as appendices.

It is the Subcommittee's role to review these documents and bring matters of importance to the Strategy and Policy Committee's attention before ratification.

4. Documents for Review

Council Controlled Organisations

To comply with statutory requirements, this report reviews the performance of Council Controlled Organisations (CCOs). These are:

- Basin Reserve Trust

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

Council Organisations

At previous Subcommittee meetings it was recommended that a number of Council Organisations (and other entities) would also be monitored on a quarterly basis. These are:

- Wellington Regional Stadium Trust
- Karori Wildlife Sanctuary Trust
- Wellington International Airport Limited
- Sink F69
- Te Papa
- International Festival of the Arts
- Carter Observatory

The Wellington Regional Stadium Trust has received a ruling from the Court of Appeal that clarifies its status and that it is not a CCO. However it is included because of the reporting obligations included in the Funding Agreement between the Council and the Trust.

The Karori Wildlife Sanctuary Trust (KWST) has been included because of the materiality of the funding that Council has committed to, subject to the trust receiving an equivalent amount of Central Government funding. In June 2007, the Government confirmed that KWST would receive \$6.5 million from the Significant Community-based Projects Fund, giving greater clarity around the timing of Council's \$8 million interest free loan.

Wellington International Airport Ltd (WIAL) has a March year-end, and therefore this report covers the first quarter to 30 June (as the annual report for the year to March 2007 was covered in the previous Subcommittee meeting on 7 June 2007). The materiality of Council's investment in the airport is the reason for their inclusion within this report. As at previous meetings, any discussions of the Airport beyond that information which is available publicly must be taken in Public excluded.

Council originally agreed to provide an underwrite facility of \$600k to the Sink F69 Trust project resulting in the project being included within the quarterly reporting regime on account of the materiality of the underwrite. On completion of the project, Council agreed to provide a grant of up to \$169k to allow the Trust to repay funds owed to the Council. This is subject to the Trust providing

audited accounts and a management plan for the dive wreck. These are still to be provided by the Trust.

Officers have also recommended that the Marine Education Centre Project (and its provider, the Wellington Marine Conservation Trust) be monitored by this Subcommittee due to the materiality of the project and the level of financial commitment from Council. The Trust has indicated its acceptance of this monitoring process and officers have continued to work with the Trust to achieve this for the last quarter of the 06/07 year.

Currently, the main focus for Carter Observatory is the redevelopment of the site and the recruitment of a new CEO. Carter provided draft 2006/07 accounts, showing a loss of \$96k, but not in sufficient detail for Council officers to report on. Officers are working with them to produce a viable business plan to manage operations when the redeveloped observatory reopens in January 2007.

At the time of writing, the audited accounts for 2006/07 for Te Papa and the International Festival of the Arts were not yet available.

5. Compliance with Local Government Act 2002

In accordance with the Local Government Act 2002 (LGA 2002) section 67 CCOs must within three months after the end of each financial year submit a report on the organisation's operations during that year. The LGA 2002 also states:

- Section 67 – the report must contain information that is necessary to enable an informed assessment of the operations of that organisation and its subsidiaries.
- Section 68 – the report must include audited consolidated financial statements for that financial year for that organisation and its subsidiaries.

The majority of the CCOs and other entities covered within this report have submitted documents in accordance with the legislative requirements.

All the CCO's provided audited annual reports. Of those CCOs audited, only the St James Theatre Trust received a qualified audit report.

All the other entities that provided annual reports, provided draft (unaudited) reports. As previously noted, WIAL has a March year-end, and its audited 2006/07 accounts were tabled at the 6 June meeting.

6. Annual Plan Reference

Operating Expenditure \$'000

	Annual Plan Project	Actual Total	Annual Plan Total
Karori Wildlife Sanctuary Trust	A288	821	973
Wellington Waterfront Ltd	A312	1,916	1,897

Basin Reserve Trust	C008	494	443
Wellington Zoo Trust	C046	3,570	3,511
Wellington Museums Trust	C102	5,808	5,684
Positively Wellington Tourism	C105	4,116	4,116
Marine Education Centre	C426	-	276
Positively Wellington Business	C434	2,013	2,211
Te Papa funding	C440	2,000	2,000
St James Theatre Charitable Trust	C580	154	155
Carter Observatory	C659	110	86

The Stadium Trust, Cable Car, Capacity and Airport do not directly receive Annual Plan funding.

Capital Expenditure \$'000

	Annual Plan Project	Actual Total	Annual Plan Total
Wellington Waterfront Development ¹	CX131	-	-
Wellington Zoo Trust Upgrades	CX340	1,900	1,900
Wellington Zoo Trust Renewals	CX125	352	351

The above figures do not include unspent CAPEX brought forward from 2005/06 and unspent CAPEX during 2006/07 has been approved for carry-forward to 2007/08.

It should also be noted that all CCOs, with the exception of the Stadium Trust, have chosen to adopt NZ International Financial Reporting Standards (NZ IFRS). This is one year earlier than required by law, but in line with Council's policy for early adoption.

7. Discussion

The role of the CCO Unit is to provide the Subcommittee with a review of the efficiency and effectiveness of each entity. To this end performance measures as set out within the Statement of Intent have been assessed, along with the financial position of each entity. In addition, other comments have been made where it is deemed necessary – for example where an unbudgeted revenue stream has masked a variance that would otherwise have required explanation. There may also be specific issues of a more strategic nature that are considered significant and therefore require further explanation.

The performance of each entity has been reviewed and any issues that have been identified for the subcommittee to consider are highlighted within each of the covering reports, attached as appendices.

¹ WWL spent \$7.25 million against the carried forward CAPEX budget of \$3.675 million which, because it is carry forward is not shown above.

Some of the key issues for each CCO are summarised below:

Basin Reserve Trust

In spite of the generous sponsorship of the electronic scoreboard by Sir Ron Brierley, ongoing asset management continues to provide challenges for the Trust.

Positively Wellington Business

The winding up process of the Trust continues, and all of the employees were transferred to the new Regional Economic Development Agency, who will continue to implement the relevant parts of the Wellington Regional Strategy, in partnership with the constituent councils.

Positively Wellington Tourism

The Trust has continued to support Wellington and has undertaken a number of activities to help promote tourism, visitation and events in Wellington.

St James Theatre Charitable Trust

The Trust has had a difficult year with a significant financial loss and depletion of cash reserves. The Trust needs to develop a robust strategy to increase revenue streams to help finance the necessary levels of asset maintenance and upgrade.

Wellington Cable Car Limited

The Company has performed strongly during the year and is well placed to maintain the assets to a high standard, whilst also addressing customer service levels and the visitor experience.

Wellington Museums Trust

The Trust has achieved a number of successful outcomes during the year, including the approval of the City Gallery, and will receive additional funding in the 2007/08 year to help address recent year's operating deficits.

Wellington Waterfront Limited

Significant development has been made during the year, including commencement of the Kumutoto public space and approval of the OPT deal. To help manage delays in commercial proceeds, Council has agreed to provide temporary additional funding to the waterfront project.

Wellington Zoo Trust

The Zoo has performed strongly under the leadership of the new Chair and new CEO, with three major capital works projects completed during the year, plus a significant operating surplus.

Capacity

Whilst Capacity have performed reasonably during the year, a number of issues, including strategic planning and the Savings Model have yet to be resolved.

Wellington Regional Stadium Trust

The Trust had a good year, achieving the \$2m surplus required to service their debt and maintain the stadium to a high standard, whilst also enjoying some high profile events.

Karori Wildlife Sanctuary Trust

The Trust performed well during the year, receiving a \$6.5m grant from the Significant Community-based Projects Fund and achieving a \$700k operating surplus whilst also receiving awards recognising its use of sustainable practices.

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, or raised with the Strategy and Policy Committee. It is proposed that the Subcommittee identify these issues for the CCO Unit to take up with each relevant Chair. The Subcommittee can also raise any relevant issues at the next meeting of the 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 strategic areas. Where relevant, reference is made to the 2006/07 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

Where appropriate, clarification has been sought from individual entities regarding disclosure of information not contained within their annual reports.

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.