

**REPORT 2***(1215/52/02/IM)*

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**REVIEW OF THE PERFORMANCE OF ALL COUNCIL  
CONTROLLED ORGANISATIONS FOR THE QUARTER  
ENDED 31 MARCH 2007**

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**1. Purpose of Report**

To provide the Subcommittee with an analysis of the performance of all Council Controlled Organisations (and other selected entities) for the quarter ended 31 March 2007, in compliance with Local Government Act 2002 and Council reporting requirements.

**2. Recommendations**

It is recommended that the Subcommittee:

1. *Receive the information.*
2. *Note that there were no issues for the chair to raise with the Strategy and Policy Committee in regard to this report.*
3. *Note that there were no issues for the chair to raise with the entities covered by this report.*

**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 (CCOPS) 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 (CCO's). These are:

- Basin Reserve Trust
- Capacity
- Positively Wellington Business
- Positively Wellington Tourism
- St James Theatre Charitable Trust
- Wellington Cable Car Ltd
- Wellington Museums Trust
- Wellington Waterfront Ltd
- Wellington Zoo Trust

### 4.2 Wellington Regional Stadium Trust

A Court of Appeal ruling clarified the Trust's status and confirmed that it is not a CCO. It is included in this report because of the materiality of the Council's financial commitment to the Trust and the Trust's contribution to Council outcomes.

### 4.3 Council Organisations

At the CCOP Subcommittee meetings on 14 February 2005 and 17 March 2006, it was recommended that a number of Council Organisations 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)	✓	✓	
Carter Observatory			✓

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

The following entities have been included within this quarter:

- The Karori Wildlife Sanctuary Trust (summary of key information only)
- Wellington International Airport Limited

- Carter Observatory

Officers are working with the International Festival of the Arts Trust and with Te Papa to identify if they are able to report to the Subcommittee in future. Both of these organisations currently provide annual reports to CCOPS.

Officers 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 expected to receive quarterly reports from the Trust from January 2007. This process has not yet been established by the WMC Trust and officers will continue to work with the Trust to achieve this for the last quarter of the 06/07 year.

## **5. Issues for the Subcommittee to consider**

### **Council Controlled Organisations:**

#### **5.1 Basin Reserve Trust**

There are no issues for discussion from its report.

The Trust has lodged a submission to the Council to consider in the Annual Plan. This requests funding of \$370k for ground irrigation system (\$150k) and media facilities (\$220k). While officers will provide advice on this proposal, they would like to raise with the Trust the need to progress asset management planning for the Trust so that these requests are progressed in a more timely fashion.

#### **5.2 Capacity - Wellington Water Management Ltd**

The capital works programme managed by Capacity is tracking at 30% below the year to date plan. It is forecast that \$6 million of the planned \$26 million capital works programme will not be completed by year end. Of this variance, \$4.4 million is attributable to factors outside Capacity's control, and \$1.6 million relates to delays in the supply of materials for the Johnsonville Sewer Upgrade and delays in attaining a resource consent for the Onslow Road Stormwater Renewal. A project addressing works planning, prioritisation and implementation has commenced, aiming at addressing these variances. This project also aims to establish a set of performance indicators for the 07/08 year.

Capacity's actual performance against the establishment savings objectives is still under review by Wellington City Council. The savings model has had inputs entered into it and a process to reconcile the first 3 years of the company's performance against the agreed objectives has commenced. A final assessment of this will be completed at the end of the current financial year.

The principal network maintenance contractor, BBS, has advised that its contract is presenting some significant profitability challenges. The Council has been advised and a project team comprising BBS and Capacity staff has been established to explore options for addressing this risk. The project team operates under two constraints; that no additional payments will be made to BBS and that no degrading of the contract levels of service will be accepted.

The Council has also specified performance indicators under the SLA covering the 3 water networks and a range of strategic and operational measures which Capacity will be expected to report against for the 2007/08 year.

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

The final details of the agreement to establish the Regional EDA are being worked through satisfactorily. The committee will be verbally updated on this at the meeting.

### **5.4 *Positively Wellington Tourism (Partnership Wellington Trust)***

The Trust continues to perform ahead of budget, driven predominantly by online revenues. The forecast year end deficit of \$270k remains as the Trust's expected result despite the positive performance to date.

Phillip Shewell ended his term on the board on March 31<sup>st</sup> and Glenys Coughlan commenced as chair on January 1<sup>st</sup> 2007.

### **5.5 *St James Theatre Charitable Trust***

The Trust has had low utilisation of the St James Theatre in the last two quarters and this has impacted on the operating result for the Trust.

Officers will continue to work with the Trust to understand the reasons for its current performance and to identify what strategies can be undertaken to address this. The Trust's SOI has signalled that the opportunity to increase its income from its traditional activities is limited. In this case, the strategic direction of the Trust needs to be considered to ensure it maintains its ongoing viability.

Chris Parkin and Juliet Mckee were appointed to the board, with Chris Parkin appointed chair.

### **5.6 *Wellington Cable Car Ltd***

There are no issues for discussion from the quarterly report.

The Transfield contract for operating the Cablecar expired on March 31 and these services have been brought in house. The maintenance contract remains under discussion and they have indicated to Stagecoach the intention to tender for these services in the next six months.

Passenger numbers have been strong in the last quarter.

#### **5.7 Wellington Museums Trust**

There are no issues for discussion.

#### **5.8 Wellington Waterfront Ltd**

There are a number of issues that are due to be considered by Strategy and Policy Committee in June that will impact on the Waterfront development plan, Statement of Intent and business plan for WWL. For this reason we anticipate that the Waterfront Development Subcommittee will approve a draft Waterfront development plan at the end of June with a final plan, Statement of Intent and business plan to be received in August 2007.

#### **5.9 Wellington Zoo Trust**

A favourable third quarter with higher visitation levels has enabled the Zoo to achieve a positive financial result.

#### **Other Organisations:**

#### **5.10 Wellington Regional Stadium Trust**

There are no issues for discussion. The positive financial performance resulting from the event schedule continuing to run above budget has enabled the Trust to make a further loan repayment during the quarter as well as maintaining the capex programme of stadium renewals.

The new soccer franchise in Wellington will provide another key event programme for the August to January period. This will create some scheduling issues to slot these games into this period but is seen as an exciting development for the Trust which has been a target within the Trust's Strategic Plan.

#### **5.11 Wellington International Airport Limited**

There are no issues for discussion.

This report is for the full year to March 31.

#### **5.12 The Karori Wildlife Sanctuary Trust**

There are no issues for discussion. The Trust has had a positive result for the quarter with visitor numbers recovering after the lower numbers in the first half of the year.

The Trust is waiting on a response from the Department of Internal Affairs on its funding application in the next quarter. This response will have a significant bearing on its future direction.

### **5.13 Carter Observatory**

Officers are continuing to work with Carter to develop their reporting including performance measures, project reporting and full year budgets.

Carter continued to work on the building and exhibition development during the quarter. The building consent applications were prepared, preferred building contractors were identified and access to the Dominion Observatory building was agreed for the period in which the Observatory is closed.

### **5.14 Wellington Marine Conservation Trust**

Officers are continuing to work with the Trust on the monitoring process and its expectations regarding reporting. It has not been included in this report and is currently relatively simple in its operations. There is no significant risk to the Council as yet.

Officers are working with the Trust on business planning for its current operations on the south coast and its transition to the proposed new marine centre. The Environment Court hearing is scheduled for early July. This is the critical decision point for the Trust's direction.

## **6. Other Points to Note**

It was noted in the last report that the reporting of CCO's is of a variable standard and the timeliness of reporting remains an issue which officers are continuing to work with CCO's on. This is still an issue and the timing of getting sign off at board meetings in each CCO often delays the supply of quarterly results to the Council.

Charitable organisations that wish to retain their charitable status will need to be registered with the Charities Commission by March 31 2008. Officers will continue monitoring this issue and work with each organisation to ensure that they comply with this requirement.

## **7. 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 considers that it will help clarify the information presented or assist with its monitoring role the Subcommittee can also ask the Chair to seek responses from a Board or Trust Chair to any queries it may have. These responses will then be tabled at the next meeting of the Subcommittee.

Contact Officers:

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<b>Supporting Information</b>
<b>1) Strategic Fit / Strategic Outcome</b> <i>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 LTCCP.</i>
<b>2) LTCCP/Annual Plan reference and long term financial impact</b> <i>Please refer to the individual covering report that prefaces each entity.</i>
<b>3) Treaty of Waitangi considerations</b> <i>This report raises no new treaty considerations. Where appropriate the entities do consult with the Council's Treaty Relations unit, and with the Tenth's Trust, as part of normal operations.</i>
<b>4) Decision-Making</b> <i>This is not a significant decision.</i>
<b>5) Consultation</b> <b>a) General Consultation</b> <i>A draft of each entity report will be circulated to the individual entity, with comments passed on to the sub-committee as appropriate</i>  <b>b) Consultation with Maori</b> <i>See section 3, above.</i>
<b>6) Legal Implications</b> <i>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.</i>
<b>7) Consistency with existing policy</b> <i>This report is consistent with existing WCC policy.</i>