
**FINAL STATEMENTS OF INTENT FOR COUNCIL
CONTROLLED ORGANISATIONS FOR THE YEAR
2007/08**

1. Purpose of Report

To provide the Subcommittee with the final 2007/08 Statements of Intent received from Council Controlled Organisations, 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 officers work with all CCOs to continue to improve the quality of Statements of Intent over time, as recommended by the Roche Review of CCOs in 2006.*
3. *Note that following the last Subcommittee meeting the chair wrote to CCOs requesting changes to be made in their Statements of Intent and many of these changes have been included in the final documents.*
4. *Note that final Statements of Intent are still to be tabled for the following:*
 - *Wellington Waterfront Limited*
 - *Wellington Regional Stadium Trust*
5. *Agree to recommend that the Strategy and Policy Committee approve the following Statements of Intent subject to amendment as outlined below:*
 - a) *Wellington Zoo Trust*
 - b) *Positively Wellington Tourism*
 - c) *Wellington Museum Trust*
 - d) *Wellington Water Management Limited*
 - e) *Basin Reserve Trust*
 - f) *St James Theatre Trust - amended to include three year financial forecasts as requested*

- g) Wellington Cable Car Company Ltd - amended to include three year financial forecasts as requested.*

3. Background

The requirements for Statements of Intent (SOIs) are prescribed in the Local Government Act 2002. The requirements in the Act are modelled on those for Crown entities which are now set out in the Crown Entities Act 2004.

Under the Local Government Act 2002, CCOs are required to submit a draft SOI to the Council by 1 March in the previous financial year. As a matter of good practice, the Council precedes this with a Letter of Expectation to CCOs, which outlines the Council's expectations in respect of the SOIs it will receive. This process provides both the Council and CCOs with an opportunity to fine tune respective expectations ahead of submitting a final SOI for owner approval (Council) in June each year.

Officers received the draft SOI's and tabled these at the CCOPS meeting held in April. This report included issues that had been identified in each SOI that were expected to be addressed in the final SOI. Each CCO was written to, highlighting these issues and requesting the final SOI to be submitted by May 18.

These final SOI's are included in this report for referral to Strategy and Policy Committee. As the key accountability document between the Council and the Board of each entity, the approval or support of the SOI is important in confirming the strategic direction and accountability to Council of each organisation.

4. Entities covered by this report

4.1 Council Controlled Organisations

A final Statement of Intent has been received by the following CCOs:

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

The final Statement of Intent or Statement of Trustee Intent has not as yet been received for the Wellington Regional Stadium Trust due to the timing of this report.

The following organisations are not included in this report.

- Wellington Waterfront Ltd
- Positively Wellington Business

It has been agreed that Positively Wellington Business will not complete a SOI as it is in the process of transferring its functions to the new Regional EDA.

A number of issues are outstanding for Wellington Waterfront Ltd. These need to be resolved to enable the final SOI to be completed and submitted to the Council.

The final Statement of Trustee Intent from Wellington Regional Stadium Trust is to be submitted along with its business plan before the subcommittee meeting and officers will provide a verbal update for the subcommittee on this.

5. Issues for the Subcommittee to consider

5.1 *Quality of 2007/08 Statements of Intent*

At the last subcommittee meeting the Roche review findings were discussed. A particular focus of the review was to make SOIs more strategic. SOIs need to do more than meet the minimum statutory compliance requirements and should articulate the strategic relationship between the Council and the CCOs.

A number of key areas of weakness were identified. This included how the SOI's described the CCO contribution to wider Council objectives and outcomes; the link between what the CCO does and the outcomes these activities contribute to; and issues affecting long term sustainability and capability of the CCO and how the CCO is proposing to address these. There was a lack of robust performance and other measures; and they often failed to put the CCO into a strategic context.

The standard of the SOIs is increasing. However the quality of the final SOI's is still variable across the board and will need to be continually improved each year. Some CCOs have set out their strategic direction, detailing the issues and risks faced by the organisation and support this with projected financial information. A number are still relatively limited in the scope of the information included.

5.2 *Positively Wellington Tourism, Wellington Zoo Trust and Wellington Museums Trust*

These Trusts have set out the strategic direction and the contribution that they seek to make to the city. The issues raised with the draft SOI have been incorporated in the final SOIs including 3 year financial forecasts, and a brief outline of audit and risk assurance processes, including internal audit.

Positively Wellington Tourism forecasts that its trading revenue will continue to grow each year which will offset the current year's forecast deficit and provide modest increases in operating expenses. It has introduced key measures on organisational and cost effectiveness which will enable the Council to assess the ongoing effectiveness of PWT as well as its contribution towards overall tourism outcomes for the city.

The Wellington Zoo Trust has presented a SOI that is a good example of the standard of SOI that officers are seeking. The Trust plans to increase its donation income in the next three years to enable it to meet its expenses and operate at a breakeven level with a modest 2% increase in visitor numbers. It has identified six strategic imperatives to guide it in the next three years which cover the zoo experience, financial sustainability, conservation and research, community support, industry support and staff.

The Wellington Museums Trust's SOI maintains a conservative position on trading and sponsorship/donation revenue with Council funding increasing to maintain the breakeven position. A key issue in its SOI is the Trust's ability to rebuild its exhibition seasons at the City Gallery and the number of changing exhibitions at the Museum of Wellington City and Sea. The Gallery extension will be an important aspect in achieving this, however the Trust should also be encouraged to continue to explore other funding options for this exhibition capacity other than Council funding.

5.3 Capacity

The Capacity final SOI has to be read in conjunction with its strategic plan. The SOI itself is limited in its current form as an accountability document between the Council and Capacity.

The business plan commits to growing the services of Capacity to other councils in the region and across New Zealand. The Council would want assurance that the core business of Capacity of managing the water assets within the city will be well managed and that service standards will be met if this expansion is to occur. The business plan states that the success of this growth strategy will directly benefit the shareholding councils and that this will reduce costs to shareholding councils. It is not clear from the plan how these benefits will be derived and when they will accrue to the shareholders.

5.4 St James Theatre Trust

The Trust's SOI has included additional information in its final document on the strategic direction and risk management of the Trust.

The SOI raises the issue that the Trust faces difficulty increasing its revenue base from its core business and it is looking to improve asset performance and other areas of income generation including sponsorship.

The SOI does not include the 3 year financial forecasts requested by Council and still requires measures of organisational health and capability to be developed.

5.5 Wellington Cable Car Company Ltd

The WCCL SOI has been expanded to include objectives that align with Council's expectations and has included comment on the board's approach to managing risk. The company has not included financial forecasts as requested. This is due to the ongoing negotiations and financial uncertainty over trolley bus network contracts.

This SOI reflects the current position of the business. Greater progress is desired from the board in setting out the strategic direction for the business. There is considerable scope for this SOI to continue to be developed to reflect the board and management understanding of its business.

5.6 Basin Reserve Trust

The SOI for the Trust is relatively straight forward with the key information included in it. The Trust could expand the content of the SOI to more fully set out the strategic direction of the Trust, its events strategy and the risks that the Trust faces during the planning period and how these are to be managed. Development in these areas will be expected in future SOIs.

6. Conclusion

The development of the CCO Statements of Intent is an iterative process. The overall quality of the documents has increased this year and will allow a stronger relationship to be built between Council and each CCO.

The areas that officers raised in the previous subcommittee report of financial reporting and risk management should still be developed by a number of CCOs.

It is recommended that obtaining 3-year financial forecasts for all CCOs is an important first step in this process. Officers will continue to work with the entities on reviewing the current Statement of Intent including discussing appropriate risk management processes so that these issues can be addressed over the next year.

Contact Officers:

Allan Prangnell, Manager, *Council Controlled Organisations*
Ian Clements, Portfolio Manager, *Council Controlled Organisations*
Warren Ulusele, Portfolio Manager, *Council Controlled Organisations*
Sarah Polaschek, 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 strategic areas. CCOs are required to state in their Statements of Intent how they contribute to Council's strategic goals.

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's 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 will be circulated to the individual entity, with comments passed on to the sub-committee 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.

A Statement of Intent is a legal requirement for CCOs under the Local Government Act 2002.

7) Consistency with existing policy

This report is consistent with existing WCC policy.