
REVIEW OF THE PERFORMANCE OF ALL COUNCIL CONTROLLED ORGANISATIONS FOR THE QUARTER ENDED 31 DECEMBER 2006

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 December 2006, 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 issues regarding the quality of the reports received from some of the CCO's; officers will raise these issues with the individual CCO's.*
- 3. Note that there were no issues to raise with Strategy and Policy Committee in regard to this report.*
- 4. Note that officers will continue to work with Carter and MEC to develop the content of their quarterly reports 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 (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

The Wellington Regional Stadium Trust has received a ruling from the Court of Appeal that clarifies its status and confirms that it is not a CCO. However it is included because of the materiality, both of the financial commitment and the 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 (summary of key information only)

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 recommend 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 expect to receive quarterly reports from the Trust from January 2007.

5. Issues for the Subcommittee to consider

Council Controlled Organisations:

5.1 Basin Reserve Trust

There are no issues for discussion.

5.2 Capacity - Wellington Water Management Ltd

Council officers continue to work with Capacity to finalise the Savings Model.

5.3 Positively Wellington Business (Wellington Regional Economic Development Trust)

In February 2007, a major milestone was reached for the Wellington region with the adoption of the Wellington Regional Strategy.

There are a number of potential liabilities that would exist in the event of PWB winding up that are not shown on the Statement of Financial Position. These include staff liabilities, lease liabilities and other contracts. The Transition Sub Committee is working closely with the Transition EDA Board to minimise the impact of these potential liabilities.

5.4 Positively Wellington Tourism (Partnership Wellington Trust)

Officers proposed to reduce PWT's annual operating grant by \$100,000 for the 2007/08 year but this was rejected by Councillors for inclusion in the Draft Annual Plan.

Included within PWT's financial statements is a reforecast showing a \$270,000 deficit for the 2006/07 year, in spite of a year to date surplus of \$194,000. Officers are working with PWT to better understand the reasons for this anticipated deficit.

5.5 St James Theatre Charitable Trust

Current budgets for 2006/07 and onwards show that the Trust operates at breakeven before depreciation of infrastructural assets, and with this expense being around \$700k a year, a significant net deficit is arising. At this rate, the Trust will not have sufficient reserves to renew infrastructural assets. Also, the declining operating position forecast for future years will start to put pressure on working capital.

The Trust has recently announced the loss of sponsorship by Westpac and Council officers are not aware of any alternative arrangements.

5.6 Wellington Cable Car Ltd

Discussions with the GW Regional Council over the proposed sale of the trolley bus network have, by mutual agreement, been deferred for six months. This is to allow WCC to consider any impacts arising from its broadband strategy.

The contract with Transfield for Cable Car operation ends on 31 March, with in-house operational staff in place to take over from 1 April.

5.7 Wellington Museums Trust

After making a submission to Council, an additional \$480,000 was included in the Trust's operating grant in the 2007/08 Draft Annual Plan. Officers are meeting with the Trust to discuss the allocation of this additional funding.

5.8 Wellington Waterfront Ltd

WWL have indicated via their 2007/08 draft Statement of Intent that they will require a loan at some point in the 07/08 year due to a delay in anticipated commercial receipts. Council officers are working with WWL to agree the management of this process and forecast figures should be available in time for the finalisation of the Annual Plan.

WWL agreed to Council officer's recommendation that the 2007/08 Draft Annual Plan considers reducing the budgeted management fee for WWL by \$150,000.

5.9 Wellington Zoo Trust

The Zoo recently hosted the annual ARAZPA conference in Wellington which attracted good attendances whilst also making a small contribution to the Zoo Trust's operating position. Unfortunately the impact of the Conference was affected by the adverse publicity surrounding the cheetah incident in 2006.

Other Organisations:

5.10 Wellington Regional Stadium Trust

The Liquor Licensing Authority released their decision regarding the incident of under-age drinking at the Stadium last year - the Stadium retained its liquor license but was given a very strong warning.

5.11 Wellington International Airport Limited

There are no issues for discussion.

5.12 The Karori Wildlife Sanctuary Trust

There are no issues for discussion.

Officers note that the Significant Community Based Projects funding decision is due from the Department of Internal Affairs in May/June.

5.13 Carter Observatory

This is the first time that Carter has undertaken formal quarterly reporting to the Subcommittee. They have worked with officers to provide a satisfactory report that allows reasonable assurance over the robustness of their processes and the management of risks. Officers will continue to work with Carter to eliminate the gaps in their reporting, around such areas as performance measures and full year budgets.

5.14 Wellington Marine Conservation Trust

As per the covering report to the Subcommittee last time it met (27 February 2007) officers recommended that the Wellington Marine Conservation Trust be monitored by this Subcommittee due to the materiality of the project and the level of financial commitment from the Council.

Officers have been working with the Trust on the monitoring process and its expectations regarding reporting. It is anticipated that the Trust will be included within the third reporting quarter.

6. Quality of CCO reports

The following observations were made by officers during the course of the second quarter reporting process:

- One CCO has presented insufficient financial information, making it difficult to comment meaningfully on any variances
- One CCO has reforecast its budgets and are now reporting against these numbers
- Four CCO's have submitted draft business plans for approval by CCOPS, and then not advised officers of subsequent changes.

Officers acknowledge that it is good practice to reforecast, however CCO's should still report against the original (approved) budget, as well as any reforecast if they so wish; any significant reforecast, or at least one showing a (increased) deficit should be brought to the attention of the CCO Unit immediately.

- Two CCO's have revised performance measures so that they are not reporting against the targets agreed in the Statement of Intent and/or annual Business Plan
- Seven CCO's have not reported in the specified format as requested in the 2006/07 letter of expectation, for which a template was provided
- One CCO sent financial information, signed off by its Board, with a Statement of Financial Position that did not balance.

It was noted in the Roche Review (a review of all CCO's undertaken by PricewaterhouseCoopers) that the content and quality of the reports provided by the CCO's were quite variable. Accordingly Council officers are continuing to work with the individual CCO's to ensure greater consistency in the standard of reporting.

These issues in isolation are considered relatively minor; but the CCO Unit believes it is appropriate to set higher expectations.

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 believes 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 would then be tabled at the next meeting of the Subcommittee.

Contact Officers:

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Sarah Polaschek, Portfolio Manager, Council Controlled Organisations
Kate Neilson, Project 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. Where relevant, reference is made to the 2006/07 LTCCP.

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.

7) Consistency with existing policy

This report is consistent with existing WCC policy.