

---

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

## **REVIEW OF THE PERFORMANCE OF ALL COUNCIL CONTROLLED ORGANISATIONS FOR THE QUARTER ENDED 30 SEPTEMBER 2007**

---

### **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 30 September 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 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 previous CCOP Subcommittee meetings it was recommended that a number of Council Organisations also be monitored on a quarterly basis. Accordingly, the following entities have been included within this quarter:

The Karori Wildlife Sanctuary Trust  
Wellington International Airport Limited (Public Excluded)  
Carter Observatory

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 but the implementation has been put on hold whilst the Trust considers its next move, following the recent decision of the Environment Court.

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

### **Council Controlled Organisations:**

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

Following the amalgamation on 29 June 2007 of Allied Prime Finance Limited and Nationwide Finance Limited, the name of the ground changed from the "Allied Prime Finance" to the "Allied Nationwide Finance" Basin Reserve.

In the Annual Plan, the Council has included capital funding to the Trust of \$370,000 for the 2007/08 year. This is to help fund the Trust's upgrade of its media centre (\$220,000) and the ground irrigation system (\$150,000). One of the future challenges for the BRT is to address significant maintenance requirements. The capital funding referred to above was contingent on the Trust progressing Asset Management Plans (AMP) for the Basin Reserve. Council officers will continue to work with the new CEO and Trust staff to ensure that robust AMP's are developed as a matter of priority.

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

The majority of the opex overspend is due to the high fixed monthly bulk water payments based on 2006/07 actual consumption. The opex is forecast to be overspent by \$0.277m at year end mainly due to unbudgeted flood protection mitigation work to 99 Ira Street, Miramar.

The majority of the capex quarterly overspend is due to the Mercer Street Sewer link open trenching required to remedy unsuccessful drilling operations. This overspend has been brought about largely by poor project management, as demonstrated by substantial sub-projects still in the planning and investigation stages yet to be tendered. At this stage, no variance is forecast at year end in relation to the Mercer Street Sewer link. However, capex carry forwards should be anticipated as many of the projects are underspent at this point.

Capex carry forward projects are six to eight months behind schedule due to inclement weather, material shortages and re-tendering following receipt of a non compliant tender bid for the Onslow Road stormwater network renewal. The capex carry forward budgets are forecast to be fully spent by May 2008.

The CEO of Capacity and the Director, Infrastructure will be attending the CCOPS meeting on 14 December to update the Committee on the company's operations.

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

During the quarter, a formal deed between Positively Wellington Business (PWB), the Regional Economic Development Agency (REDA) and Council was signed which outlined how any surplus funds available on the winding up PWB

should be distributed. At this stage it is unclear what, if any, proportion of Council's \$210,545 loan to PWB will be repaid.

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

Positively Wellington Tourism (PWT) have reported that whilst the July to September quarter generally tends to be a quiet period for Wellington tourism, a slow down in the domestic tourism market may be indicated, perhaps due to increased domestic competition and increased outbound travel, perhaps including the Rugby World Cup. This was offset by international visitor nights which grew by 10% during the quarter.

Hotel occupancy rates also declined significantly during the quarter, though this should be considered against the notable increase in capacity over the last 12-18 months, demonstrated by the overall increase in the total number of hotel rooms sold.

PWT have devoted considerable resource during the last quarter addressing high staff turnover. A significant number of positions, though not all, have now been recruited. Typically, PWT have experienced high staff turnover at a more operational level, due to the high standard of training provided. However, more recently they have experienced turnover of senior management, resulting in a greater gap between the CEO and the next management layer, and thus hampering succession planning.

Given the potential downturn in tourism signalled by the Trust, consideration might be given to reviewing the value obtainable from the current levels of marketing spend. PWT have mirrored this consideration with their stated intention to initiate a refreshment of the domestic marketing campaign. They have also signalled their intention to prepare new initiative bid requests for the 2008/09 budget round.

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

The Trust reports a busy opening quarter that included five own shows, yet the better than budgeted surplus was achieved through operational cost savings rather than higher than budgeted revenue. Given the low predicted utilisation of seats for own shows, do the potential returns from them balance the risks incurred in taking them on? The Trust continues to have low utilisation of both venues, with the combined utilisation being 17% below budget.

The Trust recently advertised for a new CEO, with the present incumbent, Celia Walmsley moving to Artistic Director. It is unclear at this stage how the Trust proposes to fund this position given the already tight financial position (reforecast deficit at year-end of \$641k) which doesn't cover depreciation of the buildings. Trust officers have approached the Council to address the issue of ongoing asset maintenance.

The Trust has actively investigated the feasibility of developing the back lot during the quarter, with a combined scoring stage and permanent home to the NZSO being possibilities. Officers look forward to continuing to work collaboratively with the Trust on this proposal.

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

There are no issues for discussion from the quarterly report. Council officers continue to work with the company to facilitate discussions over the implementation of broadband.

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

There are no issues for discussion. Following the decision of the John Gilberthorpe to step down in the 2008 year, the Trust advertised for a new CEO during the quarter and it is anticipated that an announcement will be made before Christmas. This is an important appointment for the Trust, as the long serving Chair, Bill Brien, is also stepping down at the end of the year.

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

Any future development of the Hilton hotel on Shed 1 is still contingent on the outcome of the appeal to the Environment Court. This, in conjunction with unresolved issues relating to the Overseas Passenger Terminal redevelopment mean that WWL's ability to repay the temporary additional funding to Council within the stated three year timeframe may come under pressure.

The design competitions for Frank Kitts Park and Sites 8 – 10 progressed during the quarter, with concept designs scheduled to be available for public feedback during Q2, followed by the announcement of the winners by the selection panel.

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

During the quarter, the Zoo undertook a review of the Zoo Capital Plan (ZCP). As a result, several projects changed in scope and timing, but importantly the total estimated cost to Council did not deviate from the original \$15.6 million commitment, and nor did the phasing of Council capex change significantly. The Trust presented their revised ZCP to the CCO team who accepted the rationale for the review and support the revised plan.

In spite of lower than budgeted visitor numbers, the Zoo still performed ahead of financial targets which should help them to improve the reserves position at the end of the 2007/08 year.

#### **Other Organisations:**

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

In spite of improved scheduling, attendances for the Air NZ Cup games at the stadium were down on the previous year. This trend, which was experienced

around the country, could impact future operations and officers are working with the Trust to understand how this risk is being managed.

The Trust continues to face the challenge of managing the intensive use and competing demands that are made of the stadium by rugby, football and cricket.

#### **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. The Trust has had a positive result for the first quarter with visitor numbers ahead of target, and good progress made with the Visitor and Education Centre Project (the Project). In recognition of likely disruptions resulting from construction of the Project, the Trust has conservatively forecast 2007/08 visitor numbers to be lower than 2006/07; the full impacts of this will become more apparent closer to the construction start date.

The Trust and Council signed a funding deed in late November, and the first instalment of the \$8 million loan was drawn down shortly afterwards.

#### **5.13 *Carter Observatory***

Redevelopment of the Carter Observatory progressed through the quarter whilst officers continued to work with the Trust to develop a viable business model for the complete redevelopment and fitout of the buildings, as well as a sustainable business plan for post-redevelopment operations.

The Trust continued its fund-raising efforts, as well as negotiations with the banks to obtain a commercial loan. At the time of writing, there is uncertainty over the Observatory's ability to generate sufficient funds to finance the completion of the capital redevelopment. Therefore the Trust may approach Council with a request for additional funding and / or guarantees, over and above the original \$300,000 annual operating grant that Council approved for the next 10 years, back in December 2006.

#### **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.

During the quarter, the Environment Court overturned an earlier ruling to grant resource consent and permits for a marine education centre at Te Raekaihau Pt. In October, the Wellington Marine Conservation Trust lodged an Appeal in the High Court challenging the Environment Court's divided decision to uphold the appeal against granting resource consent. The siting of a marine education centre at an alternative location has not been ruled out.

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

It is noted that PWT were holding in excess of \$2 million at quarter end, largely a result of receiving their funding bi-annually, and delays in budgeted expenditure. Similarly, in the past, other entities including the Zoo and WWL have reported significant cash balances and / or deferred income at the end of a quarter. Officers consider that quarterly rather than six-monthly invoicing by the CCO's may be more appropriate, in conjunction with a cashflow forecast to demonstrate the immediate need for funds. This could potentially offer savings on borrowings for Council of \$50,000 to \$100,000.

It has been noted previously that the reports provided by CCO's is of a variable quality, as well as the timeliness in officers receiving the reports. These are both still issues which officers continue to work with the CCO's on in order to achieve resolution.

Charitable organisations that wish to retain their charitable status will need to be registered with the Charities Commission by March 31 2008. Initial indications suggest that a lengthy processing time may be required for each registration, so early submission by all the trusts has been encouraged. 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:

*Ian Clements, Portfolio Manager, Council Controlled Organisations*  
*Warren Ulusele, Portfolio Manager, Council Controlled Organisations*  
*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 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.*