
REPORT 3
(1215/52/02/IM)

2008/09 LETTERS OF EXPECTATION

1. Purpose of Report

To present the key messages for the 2008/09 Letters of Expectation to Council Controlled Organisations, for the Committee's consideration and input.

2. Recommendations

It is recommended that the Subcommittee:

- 1. Receive the information.*
- 2. Consider the key messages drafted by officers for preparation for the 2008/09 Letters of Expectation to Council Controlled Organisations, and provide input and guidance.*
- 3. Note that officers will make changes according to the directions of the subcommittee and prepare formal 2008/09 Letters of Expectation for signing by the Chair of this subcommittee.*
- 4. Note that the subcommittee can expect to receive draft 2008/09 Statements of Intent, alongside officer's analyses, at its meeting in April 2008.*

3. Background

All CCOs are required by the Local Government Act 2002 to prepare a draft Statement of Intent for the Council by 1 March of the preceding financial year. To provide an owner's perspective and input into this strategic document, the Council sets out its expectations in a Letter of Expectation. 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.

The draft timetable for approval of 2008/09 Statements of Intent is outlined in the table below:

Item	Date	Comment
CCOPS input into 2008/09 LoEs	14 December 2007	Officers take feedback on board and draft final letters.
Letters of Expectation sent to CCOs	By end of 2007	Letters to be signed out by Chair of CCOPS
Draft SOIs received by officers	1 March 2008	Same deadline as 2007
Draft SOIs presented to CCOPS	April 2008	Officers analyse SOIs and provide advice to CCOPS
Feedback on draft SOIs provided to CCOs	April 2008	Signed off by Chair of CCOPS
Final SOIs received by officers	20 May 2008	
Final SOIs presented to CCOPS	June 2008	
Final SOIs provided to SPC Committee for approval	June 2008	SPC is the Committee responsible for formal approval of SOIs

4. Discussion

The review of CCOs by PricewaterhouseCoopers (Brian Roche) indicated that Council should be seeking an improvement in the quality of Statements of Intent¹. We signalled this in the 2007/08 Letters of Expectation, and also verbally to Board chairs and Chief Executives.

While we saw improvements in the quality of some 2007/08 Statements of Intent (most notably those of the Wellington Zoo, Wellington Museums and Partnership Wellington trusts), we have not yet got the lift in quality across the board that we are seeking. Improvement is likely to be incremental, and we anticipate the subcommittee having a key role to play in reinforcing the quality improvement message to CCOs and officers.

¹ 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.

4.1 2008/09 Letters of Expectation

The Letters of Expectation will be split into two parts:

- A short, focussed cover letter, stressing the importance of the SOIs and outlining the key issues from an ownership perspective
- A more detailed appendix outlining the detailed specifics of what needs to be covered by the particular CCOs in their draft SOIs.

Officers have prepared what we consider to be the key strategic issues for 2008/09 from an ownership perspective, outlined in the table below. These are intended to form the basis of the covering letter. An attempt has been made to keep these focussed and reasonably few in number (i.e. generally we have aimed for around three key issues per CCO):

CCO/CO	Key Issues
Capacity	<ul style="list-style-type: none"> • Address WCC expectations – savings, strategic planning • Regionalisation • Retaining and attracting the technical staff required to take the company forward
Wellington Museums Trust	<ul style="list-style-type: none"> • Managing the transition to new Chair and CEO. Likely to include an assessment of the operating and business model for WMT facilities • City gallery redevelopment (a Mayoral priority for the triennium) and strategic direction for the Gallery post-redevelopment
Wellington Zoo Trust	<ul style="list-style-type: none"> • Delivery of Zoo Capital Plan Projects - good quality, on time, on budget and appropriately funded by Zoo sponsorship • Deliver operating surpluses to initially strengthen reserves, and thereafter to reduce Council funding • Work with Council to deliver sustainable living messages to the public
St James Theatre Trust	<ul style="list-style-type: none"> • Increase number of revenue streams • Develop strategies for funding asset maintenance • Increased levels of community engagement • Develop feasible working model for capital and operational aspects of back lot development

Wellington Regional Stadium Trust	<ul style="list-style-type: none"> • Addressing declining event revenue and corporate box holders • Management of congested schedule while ensuring ground quality • Increased competition for events from upgraded stadiums (Auckland and Christchurch) post Rugby World Cup
Wellington Cable Car Limited	<ul style="list-style-type: none"> • Resolving adequate and transparent funding for overhead maintenance from GWRC i.e. not relying on cross-subsidy from other income streams • Role of WCCL in achieving the Council's broadband strategy • Other opportunities for WCCL in terms of responsibilities
Partnership Wellington Trust	<ul style="list-style-type: none"> • Future direction of tourism in Wellington and consequent impacts on PWT • Future of the I-site – location, cost, purpose and business model • Leadership role in tourism product development
Basin Reserve Trust	<ul style="list-style-type: none"> • Development of asset management plan – long term plan for the Basin Reserve facilities • Addressing deferred maintenance • Maximise events opportunities for use of the basin reserve facilities, within the context of the City's strategic aims for sport, events and recreation
Wellington Waterfront Limited	<ul style="list-style-type: none"> • Assess the risks and opportunities around the Hilton, OPT, Sites 8,9 and 10, and Waitangi park building developments and their associated potential impacts on cash-flows and the progress and completion of the waterfront project • Preparing for the eventual transition of responsibility for the waterfront from WWL to WCC

Karori Wildlife Sanctuary²	<ul style="list-style-type: none"> • Managing the transition from current operations to the new visitor centre model • Delivery of a high quality Visitor Centre on time and within budget. This will include ensuring that the business plan clearly identifies project risks for the visitor centre and associated works and sets out the mitigation strategies to manage these risks. • Strong push on marketing/awareness of new Visitor Centre. We would like to work with KWS on possible partnership opportunities to develop stronger and more integrated marketing strategies with other attractions within Wellington City. • To consider the long term operating costs for the Sanctuary and to consult with the Council on the Sanctuaries forecasts and recommendations.
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In addition to these key areas of focus, some more general points will also be made in the covering letter, to continue to reinforce the findings of the 2006 Roche review:

- The need to lift the quality of Statements of Intent, so that they are strategic rather than merely compliance documents. This includes articulating how the organisation intends to contribute to Council's strategic direction as outlined in our seven strategies
- The need to improve risk management, including explicitly articulating the risk management processes that underpin each CCO's operations. This approach was endorsed by the review recently undertaken by Roy Tiffen.

As an illustration of how the process is intended to operate, we have attached as appendices example documents from the 2007/08 SOI process as it related to the Wellington Museums Trust.

5. Next Steps

Officers will incorporate the feedback from the subcommittee on the draft key issues into the compilation of formal Letters of Expectation. These will be signed off by the Chair of CCOPS, hopefully prior to the end of the year.

We will ask CCOs to submit draft 2008/09 Statements of Intent by 1 March 2008. These will be presented, along with officer's analysis and comment, to the CCO monitoring subcommittee (CCOPS) at its meeting in April. Comments

² Although a CO rather than a CCO, Council has agreed with Karori Wildlife Sanctuary that the CCO monitoring process, including a Statement of Intent, is appropriate for KWS given Council significant funding (loan) and land ownerships interests in it.

on the draft SOIs from that meeting will be provided to CCOs, with a view to final SOIs being presented for approval to CCOPS and SPC Committees in June 2008.

Contact Officer: *Allan Prangnell, Manager Council Controlled Organisations*

Supporting Information
1) Strategic Fit / Strategic Outcome <i>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.</i>
2) LTCCP/Annual Plan reference and long term financial impact <i>Please refer to the individual covering report that prefaces each entity.</i>
3) Treaty of Waitangi considerations <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 Trust, as part of normal operations.</i>
4) Decision-Making <i>This is not a significant decision.</i>
5) Consultation a) General Consultation <i>Officers have liaised internally with relevant Directors in the formation of this report.</i> b) Consultation with Maori <i>See section 3, above.</i>
6) Legal Implications <i>A Statement of Intent is a legal requirement for CCOs under the Local Government Act 2002.</i>
7) Consistency with existing policy <i>This report is consistent with existing WCC policy.</i>

Appendix One
Letter of Expectation

Appendix Two
Draft Statement of Intent

Appendix Three
Draft Statement of Intent Feedback

**Appendix Four
Final Statement of Intent**