
REVIEW OF THE PERFORMANCE OF ALL COUNCIL CONTROLLED ORGANISATIONS FOR THE QUARTER ENDED 30 SEPTEMBER 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 30 September 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 no issues to raise with the entities covered by this report.*
- 3. Note that there were no issues to raise with Strategy and Policy Committee in regard to this report.*
- 4. Note the 2007/08 Letters of Expectation attached at appendix one and provide any comment to officers ahead of the Statement of Intent process.*
- 5. Note the attached report from Mr Tiffin regarding the review of the relationship between CCOs and Council's ARMS and CCOPS subcommittees and provide any comment to officers ahead of a report to Strategy and Policy Committee on the issue.*

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 (CCOs). 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 would 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 be monitored by this subcommittee due to the materiality of the project and the level of financial commitment from Council. The Marine Education Centre Trust has indicated its acceptance of this monitoring process. Officers expect to receive quarterly reports from the Trust from January 2007.

5. Issues for the Subcommittee to consider

The first quarter reports are being provided to the CCOPS subcommittee a little later than is desirable. As the November CCOPS meeting agenda was full, the first quarter reports were rescheduled until the next meeting which, due to the Christmas period, is not until February 2007. The second quarter reports (along with draft Statements of Intent) will be provided to CCOPS at its next meeting in March/April 2007 (date to be confirmed).

Council Controlled Organisations:

5.1 *Basin Reserve Trust*

There are no issues for discussion, other than to note that the Trust has secured a new digital scoreboard from a donor/sponsor. The scoreboard should be in place by the end of 06/07, subject to resource consent processes.

5.2 *Capacity - Wellington Water Management Ltd*

During the quarter, Capacity has been preparing lodgement of resource consent applications for the Southern Landfill Sludge Disposal and the Moa Point Wastewater Treatment Plant. A project team has been established to manage the process for these very important applications and discussions have been held with the GW Regional Council. A term of 35 years will be sought for the resource consents for the continued operation of these key infrastructure facilities.

Leaks from a burst water main which interrupted gas services in the City have since been repaired. The Council has rejected Powerco claims that the Council is liable for the associated costs. Powerco had not responded further.

The SLA savings model has been reviewed by both Hutt and Wellington City councils. Hutt City has formally approved the model, while Wellington City has informally approved the model subject to clarification of matters raised by Council's Infrastructure unit.

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

The decision on whether to proceed with a Wellington Regional Strategy (WRS) will be made on 22 February. This will obviously have significant ramifications for PWB. We are hopeful that the WRS will be confirmed and are working with PWB to understand the ramifications to both them and the Council should this occur. Currently we have not requested PWB to provide a Statement of Intent for 2007-08. We will review this once the decision is made on 22 February.

5.4 *Positively Wellington Tourism (Partnership Wellington Trust)*

There are no issues for discussion.

5.5 *St James Theatre Charitable Trust*

There are no issues for discussion.

5.6 *Wellington Cable Car Ltd*

The proposed sale of the trolley bus network remained under discussion, with GW Regional Council considering a draft sales and purchase agreement.

5.7 *Wellington Museums Trust*

There are no issues for discussion.

5.8 *Wellington Waterfront Ltd*

As at 31 December 2006, WWL had achieved public space expenditure of \$2.3 million compared to a budgeted figure of \$6.8 million. In addition, the WWL commercial income target for 2007/08 as shown in the 2006/07 business plan, which would be used to help finance future public space projects, appears difficult to achieve given the current status of the relevant projects. Council officers are currently working with WWL on strategies to manage the project cashflows and changes to budget predictions.

Officers are recommending that the 2007/08 Draft Annual Plan considers reducing the budgeted management fee for WWL by \$150,000 as, apart from 2004/05, this has been regularly under spent in recent years. Officers will be discussing the implications of this with WWL shortly.

5.9 Wellington Zoo Trust

Karen Fifield started as CEO. The Zoo Capital Plan business case preparation continued during the quarter. (It was presented to the Strategy and Policy Committee in December and approved for inclusion within the 2007/08 Draft Annual Plan).

Visitor numbers at the Zoo were down for the first (and second) quarters, with the severity of the winter a likely factor. However the January visitor target was exceeded by over 4,000, leaving the January YTD visitor number 4% below budget for the year.

5.10 Wellington Regional Stadium Trust

The revised format for the Air New Zealand Cup was problematic for event management at the Stadium, with the Stadium required to maintain a 6 week window without confirmed fixtures. The revised format for 2007 should eliminate much of this uncertainty.

The net surplus for the quarter of \$329K over budget was due to event revenues being 15% over budget because one of the Air New Zealand cup games took place in September rather than October as anticipated.

5.11 Wellington International Airport Limited

The Codeshare agreement sought by Qantas and Air New Zealand was rejected by ACCC (Australian competition watchdog). Council's loan of \$13.75 million was paid off in full as part of a refinancing of WIAL's balance sheet in December 2006.

5.12 The Karori Wildlife Sanctuary Trust

The Sanctuary receive grant funding from the Council, paid in two instalments and accounted for on a monthly basis. The activity is under spent as the budgeted loans to the KWS have not yet been made, so no interest expense has been incurred.

The Sanctuary's capex programme is behind schedule and under budget as a result. The project was delayed while the overall plan for development of the Sanctuary was finalised. However all expenditure will be committed before the end of the year.

5.13 Carter Observatory

In December 2006, the Council agreed to a funding partnership with central government to set Carter up on a sustainable footing for the foreseeable future. Council's funding - \$300,000 per year for 10 years – is subject to receiving quarterly reports, and suitable governance arrangements being put in place. Officers have yet to receive a quarterly report, but are in the process of consulting with the Crown and the Carter Board on future governance

arrangements. This is likely to be in the form of a Council Organisation, with Council having the right to appoint to the Board (but less than 50%).

6. Letters of Expectation

Attached to this report are the 2007/08 Letters of Expectation that were sent to CCOs in late January 2007, to inform their Statements of Intent for 2007/08.

Each CCO is required under the Local Government Act 2002 to provide a draft Statement of Intent to the Council by 1 March of the preceding financial year. This timeframe poses a challenge in terms of gaining input from this sub-committee prior to sending the letters to CCOs. (A CCOPS meeting in November/December appears too early to signal strategic intent for the following financial year; January is a difficult time to schedule a meeting).

One option for 2008/09 is to compress the Statement of Intent timetable. This would be done by gaining input from this sub-committee in February 2008, and allow CCOs to submit draft Statements of Intent in late March (rather than 1 March). This would mean the timeframes were tighter for approving final Statements of Intent, but would enable meaningful input from the sub-committee.

For 2007/08, officers recommend that the sub-committee notes the attached Letters of Expectation and provides any relevant input and comment to officers to pass on to CCOs.

7. Tiffin Report

Following the 2006 review of Council Controlled Organisations by PricewaterhouseCoopers (the Roche review), Mr Roy Tiffin was engaged by the Council to review the relationships between CCOs and Council's Audit and Risk Management (ARMS) and CCOPS subcommittees. His report was asked to provide recommendations on:

- The extent to which he considers that the Boards of CCOs should be accountable to the ARMS subcommittee
- How he considers that the relationship between the external auditors of CCOs and the Councils auditor should operate
- How he considers that internal assurance arrangements in the CCOs should operate.

A copy of Mr Tiffin's report is attached to this paper. Its key findings and recommendations were:

1.1. The Council's auditor should be requested to provide ARMS with an annual summary of any relevant issues arising from the audits of the CCOs in the audit clearance letter and the annual audit management report.

1.2. Monitoring activities of the CCOs are adequately performed by CCOPS with the support of the CCO Unit. However, CCOPS should provide their quarterly and annual reports on the activities of the CCOs to ARMS for information.

1.3. Council may wish to consider requesting the Auditor-General to change the auditor of 100% owned CCOs to Audit New Zealand, but this is not critical

1.4. Council should consider amending the ARMS Terms of Reference to include the review of the risk management activities within the CCOs.

1.5. CCOs are being encouraged by CCOPS and the CCO Unit to formalise risk management and internal assurance activities. The use of the Council Internal Audit division should be considered by CCOs which are considering utilising sub-contracted internal audit resources.

1.6. Council may wish to reconsider the creation of a holding company structure for CCOs.

Council officers will provide a report on Mr Tiffin's review to the Strategy and Policy Committee in April 2007. We invite the CCOPS subcommittee to provide any comment to officers to inform that process.

8. 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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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. Where relevant, reference is made to the 2005/06 Annual Plan.

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.

Appendix One