
**REVIEW OF THE 2005/06 ANNUAL REPORTS AND
FINANCIAL STATEMENTS OF COUNCIL
ORGANISATIONS AND OTHER ENTITIES**

1. Purpose

This report reviews the annual reports or financial statements submitted by Council Organisations (COs) and a number of other external organisations. It highlights a number of issues for the Subcommittee to consider.

Section 65 of the Local Government Act 2002 requires the Council to “...regularly undertake performance monitoring of that organisation to evaluate its contribution to the achievement of –

- (a) the local authority’s objectives for the organisation: and...
- (c) the overall aims and outcomes of the local authority.”

In many cases the objective and desired outcome of the Council’s involvement in and/or funding of a CO’s activities is not explicitly stated. This review is an initial step in that process. A number of other entities that are not classified as COs¹ have also been reviewed due to the financial commitment by the Council to those entities.

2. Recommendations

It is recommended that the Subcommittee:

1. *Receive the information.*
2. *Confirm that there are no issues for the Chair of this Subcommittee to raise with the Council Organisations.*
3. *Confirm that there are no issues to raise with the Strategy and Policy Committee.*

¹ To be a Council Organisation requires the Council to have the right to or to have board representation

3. Background

The annual reports received from COs have been reviewed by officers to assess any risks or issues from the perspective of the Council's interest. It is the Subcommittee's role to review this report and bring any matters of importance to the Strategy and Policy Committee's attention.

4. Organisations Reviewed

The following Council Organisations have been included in this review:

Organisation	Council Financial Commitment 2005/06
Now included with CCO reporting	
Wellington International Airport Ltd	34% Shareholding plus \$14m debt
Karori Wildlife Sanctuary Trust	1,026,000

Included in this report

NZ International Festival of the Arts Trust	750,000
Carter Observatory Board	150,000
Wellington Region 2020 Communications Trust	167,806
NZ Academy of Sport Central	50,000
Wellington Youth Orchestra	3,500
Creative Communities Scheme	Administration of this scheme
Joe Aspell Trust	Accounting and audit services
Wellington Xiamen Association	26,105
Wellington City Lender of Last Resort Trust	Nil
Adam Foundation Trust	Nil
Hannah Playhouse Trust	44% shareholding
Hutt Minoh Friendship House Trust	Nil
Lyall Bay Reef Charitable Trust	Nil
In Process Of Being Closed	
Christmas Parade Trust	
Festival of Japan Trust	

Financial information has also been provided from the following entities due to the level of financial support provided to them.

Organisation	Council Financial Commitment 2005/06
Museum of New Zealand Te Papa Tongarewa	2,000,000

Wellington Regional Orchestra Foundation Inc.	95,000
Sink F69 Trust	Underwrite agreement to 600,000
New Zealand Film Archive	50,000

The New Zealand Film and Television School and the New Zealand Schools of Dance and Drama Premises Management Trust have been removed from this report as the Council loans have been repaid by these organisations.

There are a number of other entities that may also fall within the CO classification and the CCO unit will endeavour to update the Council records to keep abreast of these organisations.

5. Discussion

The annual report of each organisation has been reviewed and summarised in the attached appendices. Key issues from the review are as follows.

Te Papa

- Te Papa is not a CO however it receives a \$2.0 million annual grant from the Council which represents a subsidy of \$1.58 per visitor.
- The Strategic Marketing Unit manages the relationship with Te Papa to ensure that the benefits sought by the Council are being achieved. The contract aims to encourage alignment and leverage between the visitor attractions at Te Papa with other city attractions and the creative community in Wellington.
- Financial support from the Crown remains crucial for Te Papa with the Government increasing its overall funding (capital and operating) by \$4.0m in 2005/06. The asset revaluation during the year may increase depreciation in future years with a consequent impact on future funding.
- During the year, Te Papa has worked closely with the Wellington Museums Trust on the Burton Brothers photography exhibition. The major value contributed by Te Papa is its position as the major visitor attraction and a significant contributor to the city economy. The Council is recognised as a Founding Partner sponsor in signage, promotional material and internet links.
- Visitor numbers to Te Papa have remained at approximately 1.3 million over the last five years. In 2005/06, 1.275 million people visited Te Papa. International visitors remain at 51% of adult visitors.
- Discussions are continuing on the potential to locate an i-Site at Te Papa.

International Festival of the Arts

- The Council has been a core funder since the festival's inception in 1986. The Festival has become a key event in the national arts calendar and is strongly associated with Wellington city. The 2005/06 Annual Plan increased the funding to \$0.75 million each year to fund the administration costs of the Festival

- The Trust has recently reported the review of the 2006 festival, reporting over 130,000 tickets sold, with approximately 25% of the audience coming from outside the Wellington region.
- A trend towards a younger aged audience was also reported.
- The festival has been assessed to have created an economic impact of \$33.4 million, generating 276 FTE positions, and involved over 900 artists from 27 countries.

Carter Observatory

- During 2005/06, the Observatory took steps to improve its financial viability as well as to develop a business case for its future development.
- Funding was approved by Council and Government in December 2006 to redevelop the observatory. The Government will repeal its existing legislation as part of this process and the Observatory will no longer receive funding from a MORST purchase agreement.
- There is considerable work to be completed to fully develop the Observatory business plan to create a new Trust and a high quality visitor experience.
- It is planned for the Council to have representation on the Trust and officers will be closely involved in monitoring the progress of the redevelopment.
- The risk with this organisation remains significant as they work towards a sustainable organisation plan and structure.

Sink F69 Trust

- The frigate was sunk in November 2005 and the Council agreed in June 2006 to provide funding to allow the Trust to repay the amount outstanding to the Council.
- Payment of these funds is contingent on the Trust providing audited accounts and a management plan for the wreck. These accounts have not as yet been provided by the Trust.

6. Monitoring Level

When the last report was completed on CO's it was recommended that the following factors be taken into account to establish the level of monitoring to be undertaken by the Council.

- The level of financial commitment by the Council
- The significance of the project or organisation to achieving the Councils outcomes.
- The financial risk of the project or organisation.

Those organisations that have higher financial commitment or risk, or have a significant impact on the Councils outcomes would receive more regular financial and performance monitoring.

The organisations included previously for more regular monitoring were:

	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	✓	✓	
Carter Observatory	✓	✓	✓
Sink F69 Trust (for the project duration)			✓

*Officers have set the level of materiality above \$500k.

Note that no entities have been identified for addition to this list.

7. Conclusion

The review of the Annual Reports provides an opportunity for the CCO Performance Subcommittee to identify any particular issues that need to be explored with the entities. It is proposed that the Subcommittee identify these issues for the CCO Unit to take up with each relevant Chair and raise at the next Strategy and Policy Committee.

Contact Officer: *Allan Prangnell, 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 KAAs. Where relevant, reference is made to the 2004/05 Annual Plan.

2) LTCCP/Annual Plan reference and long term financial impact

Please refer to section 4 of the report.

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

Not applicable

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