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**MINUTES**

**MONDAY 8 DECEMBER 2008**

**9.17AM**

**Committee Room One  
Ground Floor, Council Offices  
101 Wakefield Street  
Wellington**

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**PRESENT:**

James Ogden (Chair)  
Councillor Coughlan  
Alan Isaac  
Councillor Ritchie

**IN ATTENDANCE:**

Councillor Pannett

**APOLOGIES:**

Mayor Prendergast  
Councillor Foster  
Councillor Ritchie (for early departure)

033/08FM **APOLOGIES**  
(1215/52/02IM)

**RESOLVED:**

*THAT the Council Controlled Organisation Performance Subcommittee:*

- 1. Accept apologies for absence from Mayor Prendergast and Councillor Foster.*
- 2. Accept apologies for early departure from Councillor Ritchie.*

034/08FM **CONFLICT OF INTEREST DECLARATIONS**  
(1215/52/02IM)

**NOTED:**

1. Councillor Coughlan declared an interest in relation to Carter Observatory and Positively Wellington Tourism.
2. Mr Isaac declared an interest in relation to the Basin Reserve Trust.

035/08FM **PUBLIC PARTICIPATION**  
(1215/52/02IM)

**NOTED:**

There was no public participation.

036/08FM **MINUTES FOR CONFIRMATION**  
(1215/52/02/IM)

**RESOLVED:**

*THAT the Council Controlled Organisation Performance Subcommittee:*

1. *Approve the minutes of the meeting held on Tuesday 28 October 2008 be taken as read and confirmed as an accurate record of that meeting.*

037/08FM **UPDATE ON CURRENT ISSUES**

Report of Allan Prangnell, Manager, Council Controlled Organisations  
(1215/52/02IM)

(REPORT 1)

**NOTED:**

Allan Prangnell updated the Subcommittee on current issues regarding Council Controlled Organisations. He noted that certain principles had been agreed on through recent Long Term Council Community Plan workshops, and these would be communicate to Council Controlled Organisations through the 2009/10 Letters of Expectation to be consistent with these. Wellington Cable Car Limited has performed strongly in the second half of the year. Additional funding for Karori Wildlife Sanctuary Trust was approved by Council on 6 November 2008. There is to be a review of the project and the governance of the Trust reported to the Strategy and Policy Committee on Karori Wildlife Sanctuary in early to mid 2009.

038/08FM **PRESENTATIONS FROM COUNCIL CONTROLLED ORGANISATIONS – ST JAMES THEATRE CHARITABLE TRUST AND CAPACITY**

(1215/52/02/IM)

(ORAL REPORT)

**NOTED:**

1. Craig Goodall and Chris Parkin addressed the Subcommittee on behalf of St James Theatre Charitable Trust. Mr Goodall has been the Chief Executive Officer since April 2008. He noted that 2007/08 has seen a hugely successful winter season, and a year that was better financially than 2006/07. Jimmys Bar and Espresso Café have made a huge difference to revenue. There are a number of exhibitions and events taking place outside of the main shows, for example the Terracotta Warrior exhibition coming in 2009. Mr Goodall noted that the Trust was working with Wellington City Council on an environmental policy and an asset management plan. The effect of the current economic downturn is difficult to assess as it is the nature of show business to see highs and lows. However the Board is more conservative regarding “risk” shows and there is no question that 2009 will be tough, especially up to June.

(Councillor Ritchie left the meeting at 9.48am.)

(Councillor Coughlan left the meeting at 9.59am. The meeting adjourned due to loss of quorum.)

(Councillor Coughlan rejoined the meeting at 10.00am. The meeting regained quorum and reconvened.)

2. David Hill and Bryan Jackson addressed the Subcommittee on behalf of Capacity. The biggest task over the last twelve months has been the NOVO project. The aim of this was to streamline the management process, focusing on being timely, efficient, cost effective and aligned with Wellington City Council interests. This has so far proven to be very effective. More expertise is being brought in-house to save on the high level of consultancy fees. The Savings Model, which is a measure of operational cost efficiencies, has now been agreed on. Controllable costs that effect the Wellington City Council budget are included in the model, but uncontrollable costs are not. Capacity has benchmarked itself against New Zealand Transport Authority and feel that this is an important tool for measuring their own performance. They believe this has shown that Capacity has been operating efficiently. It is important to have robust asset management plans and this is being done for all their customers. A new Service Level Agreement with Wellington City Council will be agreed on by June 2009.

(The meeting adjourned at 10.44am for morning tea.)

(The meeting reconvened at 11.09am.)

039/08FM **AGREEMENT ON CAPACITY SAVINGS MODEL**

Report of Jonathan Gulland, Portfolio Manager, Council Controlled Organisations

(1215/52/02/IM)

(REPORT 3)

**Moved Mr Isaac, seconded Councillor Coughlan the substantive motion, as amended.**

**The amended substantive motion was put and declared CARRIED.**

**RESOLVED AND RECOMMENDED TO THE STRATEGY AND POLICY COMMITTEE:**

*THAT the Council Controlled Organisation Performance Subcommittee:*

1. *Receive the information.*
2. *Recommend that the Strategy and Policy Committee note the following:*
  - a. *That when Wellington Water Services Limited (Capacity) was established in 2004 one of the company's objectives was achieving for both Wellington City Council and Hutt City Council total targeted cost reductions of \$4.18 million over the first five years of the Contract for Provision of Services Related to Water Services (Service Level Agreement).*
  - b. *That the Service Level Agreement contains targeted cumulative cost reductions for Wellington City Council of \$2.505 million during the first five years ending 30 June 2009 and \$0.960 million per annum thereafter.*
  - c. *That agreement has been reached between Wellington City Council and Capacity on the model to be used by Capacity to calculate operational expenditure savings for the five years ending 30 June 2009*
  - d. *That the agreed savings model indicates \$0.702 million in cost reductions have been achieved in the four years to 30 June 2008, against a target of \$1.545 million*
  - e. *That Capacity has advised Wellington City Council that the Company does not consider it will be possible to meet the cumulative cost reduction target of \$2.505 million by the 30 June 2009 expiry date of the Service Level Agreement*

- f. *That the Council Controlled Organisation Performance Subcommittee request Capacity reforecast the cumulative cost reductions to 30 June 2009 and report the results back to the Subcommittee at its meeting in March 2009*
- g. *That, while Wellington City Council officers consider it unlikely that the annual cost reduction (savings) target of \$0.960m to apply from 1 July 2009 will be met, Capacity and Wellington City Council have agreed to work together to establish a revised target, **and that this target is realistic and measurable. This is to be reported back to the Subcommittee on a quarterly basis.***
- h. *That Capacity has secured a two year fixed fee contract for the provision of water services to Upper Hutt City Council commencing 1 July 2008. The contract may either pose some cost risk to Wellington City Council if costs of provision exceed the fixed fee. However the contract may provide potential surplus for Wellington City Council if the fixed fee exceeds the costs of service provision. **The Subcommittee has requested a progress report be given to the March 2009 meeting comparing actual costs against the fixed fee.***
- i. *That Upper Hutt City Council has requested Wellington City Council and Hutt City Council, as the existing shareholders of Capacity, develop a proposal under which Upper Hutt City Council would take an equity position in Capacity*
- j. *That officers will report back to the Subcommittee in March 2009 on the implications of recommendation 2(i).*
- k. *That Capacity and Wellington City Council will commence a review of the Service Level Agreement in the New Year with a view to concluding negotiations **by 31 March 2009 as required by the current Service Level Agreement** prior to expiry of the current term on 30 June 2009, and that strategic (asset) planning is among the many items to be reviewed. **It is noted that support from Wellington City Council's monitoring staff may help to achieve this.***
- l. ***That the Subcommittee suggests that the new Service Level Agreement should reflect service contracts and not governance and ownership matters.***
- m. ***That Capacity asserts that additional savings such as capital expenditure have been delivered by the company but are not captured by the Savings Model.***

**NOTED:**

The resolutions differed from the recommendations in the officer's report as follows:

The Subcommittee added the words in **bold**.

040/08FM **REVIEW OF THE PERFORMANCE OF ALL COUNCIL CONTROLLED ORGANISATIONS FOR THE QUARTER ENDED 30 SEPTEMBER 2008**

Report of Council Controlled Organisation Team.  
(1215/52/02IM)

(REPORT 4)

**Moved Mr Isaac, seconded Councillor Coughlan the substantive motion, as amended.**

**The substantive motion was put and declared CARRIED.**

**RESOLVED AND RECOMMENDED TO THE STRATEGY AND POLICY COMMITTEE:**

*THAT the Council Controlled Organisations Performance Subcommittee:*

1. *Receive the information.*
2. *Recommend that the Strategy and Policy Committee (SPC) notes the following matters with regard to the first quarter 2008/09 performance of Council Controlled Organisations:*
  - a) *The Basin Reserve Trust is performing well and continues to grow its revenue streams, in particular through confirming a naming rights sponsor for the next 3 years. **The Subcommittee suggests that the Basin Reserve Trust seek external funding for improvements including practice wickets.***
  - b) *An agreed position has been reached between Capacity and the Council with regard to the Savings Model and will be assessed and advised on by the Council Controlled Organisation Performance Subcommittee to SPC in early 2009.*
  - c) *The impending renewal of the Service Level Agreement between Council and Capacity makes it appropriate to consider whether Council should take over responsibility for the strategic planning of water assets.*
  - d) *The Subcommittee was concerned at the inaccuracies of financial information in the first quarter performance report from Capacity and asked officers to clarify this before the March 2009 meeting. **The Subcommittee requests that***

**Capacity reports to Council officers on a monthly basis until satisfied that reporting is accurate. These monthly reports should be signed by the Chief Executive Officer and the Chairman.**

- e) *Positively Wellington Tourism will aim to capitalise on the successful launch of their new domestic marketing campaign as well as seeking to increase Wellington's share of the Australian market. **The Subcommittee notes the recent underperformance of i-site and that Positively Wellington Tourism is endeavouring to address this. The Subcommittee anticipates an update on the relocation options for i-site at its next meeting.***
- f) *The St James Theatre Charitable Trust has already been impacted by the economic downturn and its **decline in** working capital continues to present a challenge. **Wellington City Council officers are closely monitoring cash flow.***
- g) *Wellington Cable Car Limited performed strongly and **the Subcommittee notes the recent payment of a \$311,308 dividend for the year ended 30 June 2008 to the 100% shareholder, Wellington City Council.***
- h) ***The Subcommittee notes the review of Wellington Waterfront Limited currently being considered by the Strategy and Policy Committee.***
- i) *The Museums Trust intends to approach the Council for an increase in its baseline operational funding to cover a number of issues. This will be reported on to the Strategy and Policy Committee as part of the Long Term Council Community Plan process.*
- j) *The Zoo's external sponsorship funding increased to \$2.25 million during the quarter and construction of the new animal hospital started; **the Subcommittee notes the internal project controls employed by the Zoo and Wellington City Council Officers.***
- k) *the Westpac Stadium continues to perform well, helped by the strong performance of the Wellington Lions, though attracting overseas artists may prove difficult in the current economic climate.*
- l) ***The Subcommittee notes that the first in a series on project management reports on the Karori Wildlife Sanctuary Trust Visitor Centre project will be coming to the March 2009 meeting and also the enhanced project management resource.***

3. *Note any other issues for the Chair to raise with the Strategy and Policy Committee in regard to this report.*
4. *Note any issues for the Chair to raise with the entities covered by this report.*

**NOTED:**

The resolutions differed from the recommendations in the officer's report as follows:

The Subcommittee added the words in **bold**.

041/08FM **2009/10 LETTERS OF EXPECTATION TO COUNCIL  
CONTROLLED ORGANISATIONS**

Report of Allan Prangnell, Manager, Council Controlled Organisations.  
(1215/52/02IM) (REPORT 5)

(Councillor Pannett joined the meeting.)

**Moved Councillor Coughlan, seconded Mr Isaac the substantive motion.**

**The substantive motion was put and declared CARRIED.**

*It is recommended that the Subcommittee:*

1. *Receives the information.*
2. *Provide input and guidance for the key messages to be included in the 2009/10 Letters of Expectation to Council Controlled Organisations.*
3. *Note that officers will prepare formal 2009/10 Letters of Expectation incorporating the directions of the Subcommittee for signing by the Chair of this Subcommittee.*
4. *Note that the Subcommittee can expect to receive draft 2009/10 Statements of Intent, alongside officer's analyses, for its consideration at its meeting in April 2009.*

**NOTED:**

The Subcommittee offered input and guidance to the 2009/10 Letters of Expectation as required by Recommendation 2.

042/08FM **FORWARD PROGRAMME**

Report of Allan Prangnell, Manager, Council Controlled Organisations.  
(1215/52/02IM) (REPORT 3)

**Moved Councillor Coughlan, seconded Mr Isaac the substantive motion, with the following amendments:**

- Bring the Positively Wellington Tourism presentation forward to April or June.
- Move the St James Theatre Charitable Trust presentation to April and move the Wellington Zoo Trust presentation to December.

**The substantive motion was put and declared CARRIED.**

**RESOLVED:**

*THAT the Council Controlled Organisations Performance Subcommittee:*

1. *Receive the information.*
2. *Agree to the forward programme attached as Appendix One to the officer's report, as **amended**.*

**NOTED:**

The resolutions differed from the recommendations in the officer's report as follows:

The Subcommittee added the words in **bold**.

043/08FM **RESOLUTION TO EXCLUDE THE PUBLIC**

(1215/52/02/IM)

**Moved Mr Isaac, seconded Councillor Coughlan the motion to exclude the public.**

**The motion was put and declared CARRIED.**

**RESOLVED:**

*THAT the Council Controlled Organisations Performance Subcommittee:*

*Pursuant to the provisions of the Local Government Official Information and Meetings Act 1987, exclude the public from the following parts of the proceedings of this meeting namely:*

**Report 2: Review of the performance of all Council Controlled Organisations for the quarter ended 30 September 2008.**

**Wellington International Airport Limited**

*Grounds: S48(1)(a) That public conduct of the whole or relevant part of the proceedings of the meeting will be likely to result in the disclosure of information for which good reason for withholding would exist under Section 7.*

*Reason: S7(2)(b)(ii) Protect information where the making available of the information would be likely unreasonably to prejudice the commercial position of the person who supplied or who is the subject of the information.*

(The meeting moved into public excluded at 1.19pm.)

(For item 044/08FM, please see the public excluded minutes.)

The meeting concluded at 1.24pm.

Confirmed: \_\_\_\_\_  
Chair  
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