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**REVIEW OF THE PERFORMANCE OF ALL COUNCIL  
CONTROLLED ORGANISATIONS FOR THE QUARTER  
ENDED 31 DECEMBER 2007**

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**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 31 December 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 its recent decision to consider alternatives to Te Raekaihau Point as the preferred site for a marine education centre.

Wellington City Council took over the Carter Observatory redevelopment project in January 2008. As a consequence, the project is now being monitored as part of the Council's quarterly reporting process, starting with the third quarter of 2007/08.

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

### **Council Controlled Organisations:**

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

In recent months it has become apparent that ICC regulations will, at some time in the future, most likely include a requirement for venues to have practice wickets sited off the playing surface so they can be used while games are in progress. The Basin's practice wickets are on the oval and as a consequence, this possible future regulation may jeopardise the future hosting of test matches at the venue.

The Trust recently submitted a new initiative to the Council's draft Annual Plan for 2008/09, requesting capital funding of \$450,000 in order to create five practice wickets at the south-west corner of the ground.

Council did not approve the requested funding for the 2008/09 year but have provisionally budgeted for it in the 2009/10 year. Council officers continue to work with the Trust to implement asset management planning to ensure the long-term viability of the Basin Reserve as a venue.

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

One of the key reasons for the formation of Capacity, more so than the desired outputs of the savings model, was the implementation of shared services practices across the Councils in the Wellington region.

Further to this, Capacity has held discussions with Upper Hutt City Council (UHCC) with a view to providing infrastructural services to them, in addition to the existing services provided to Wellington and Lower Hutt City Councils. A draft contract has been approved by (UHCC) and their officers have now put the proposal out for public consultation, with a recommendation back to UHCC likely to be made before the end of the year.

Wellington City Council officers have some concerns that this may affect the level of service currently being provided by Capacity to Council and are working with the company to ensure that there are no adverse impacts.

As the Council is the major customer of Capacity, the CCO team have sought input on Capacity's year to date performance from the Director, Infrastructure and his feedback is given below:

*Capacity has responded acceptably to service requests in most cases. However Capacity has not yet met Council's expectations with regards to Asset Strategic Planning. These were to be provided in November 2007.*

*Targeted Resource Consent conditions for the Western and Moa Point Treatment Plants have not been achieved. Environment Court appeals have been lodged.*

*With regards to the savings model, Council's position is that the inputs to the savings model up and until the end of 06/07, were jointly overseen with Capacity. The model indicates clearly that savings target to the end of the 06/07 year have not been achieved by a significant margin.*

*Council is concerned about the risk of non delivery of key infrastructure outputs (projects) due to apparent poor planning. These include the Messines Road reservoir and water network renewals. A significant overrun on budgeted consultancy costs further erodes resources dedicated to the delivery of physical outputs.*

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

The winding up process of Positively Wellington Business (PWB) continues - a formal deed between PWB, Grow Wellington (the Regional EDA Ltd) and Council having been signed in 2007. It is still unclear what, if any, proportion of Council's \$210,545 loan to PWB will be repaid. This position will be foreshadowed in the third quarter.

Grow Wellington, which has effectively superseded PWB, was formed under the Wellington Regional Strategy developed by the nine Councils of the Greater Wellington Region to implement economic development initiatives contained in the Strategy, particularly those relating to investing in growth of the regional economy through exports.

Grow Wellington is a Council Controlled Organisation, wholly-owned by Greater Wellington Regional Council, and funded through a regional rate. It reports to the Wellington Regional Strategy Committee of Greater Wellington Regional Council. The legal name of the organisation is Regional EDA Ltd.

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

At the end of the December quarter, Positively Wellington Tourism (PWT) had restored their staff to its full complement after the challenging staff retention issues of the first quarter.

The main areas of focus for PWT in the coming months are the finalisation of the draft Wellington Tourism Strategy, refreshing of the New Zealand Marketing Campaign and the i-Site relocation and expansion project.

In February, PWT resubmitted its e-marketing new initiative with a reduced total cost, and a reduced cost to Council, after feedback from senior

management and the Councillor's new initiative workshop indicated that the originally submitted cost was too high.

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

Operational savings during the quarter of over \$100k have boosted the Trust's position with a reforecast loss after depreciation of \$571, which compares very favourably with the original budget of a \$781k loss.

The Trust recently announced the appointment of a new CEO, Craig Goodall, who will start on 14 April.

Trust officers have approached the Council to address the issue of ongoing asset maintenance and Council officers will continue to work with the Trust to ensure the long-term viability of the venues.

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

Council officers continue to work with the company to facilitate discussions over the implementation of broadband, and also to ensure achievement of appropriate and transparent funding from Greater Wellington Regional Council for maintenance of the overhead network.

The company has acknowledged Council's wish for a dividend return on its investment, and continue to work with Council officers to establish protocols to affect this.

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

Significant recent events for the Trust include the stepping down of Chair Bill Brien and the resignation of CEO John Giberthorpe. Council officers are confident that the new Chair Viv Beck, and the recently appointed CEO Pat Stuart are well placed to lead the Trust through this transitional period.

In December 2007 it was announced that the Carter Observatory redevelopment project would be suspended, and the necessary steps taken to bring the project under Council management. Since then, a number of discussions have taken place between the Trust and Council officers to consider ways in which Carter and the Museums Trust might work together in the future.

The Trust submitted two new initiatives to Council for inclusion in the 2008/09 draft Annual Plan. The Council approved the inclusion of \$100,000 additional funding in 08/09 (and \$50,000 in subsequent years) to contribute towards the biennial Capital E National Arts Festival. However, Council declined the requested funding increases in relation to CPI.

## **5.8 Wellington Waterfront Ltd**

In March 2008, the Environment Court ruled in favour of the appeal to the proposed Hilton Hotel resource consent. Waterfront Investments Limited is not going to appeal the decision and Council officers will work with the Company to assess other options for the Outer-T site.

As a result of WWL not having drawn down as much of the temporary additional borrowing as anticipated, the impact of the Hilton decision is not expected to materially adversely affect WWL's cash flow, and they expect to stay within the 2007/08 borrowing limit. WWL's draft Strategic Plan for 2008/09 is forecasting that they will stay within the \$4m borrowing limit for 2008/09.

In January 2008, WWL repaid \$2.6m of the temporary additional borrowing after having received the final instalment of the Site 7 commercial receipts.

The Overseas Passenger Terminal resource consent hearing finished in early March, with a decision expected around mid-April. Significantly, Chaffers Marina Ltd withdrew their opposition to the resource consent after extensive negotiations between them and WWL resulted in all their concerns being addressed.

## **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**

The Trust is working with the stadium contractors and designers to assess the full impact of the exterior cladding problem, and to clarify where the responsibility for reparation lies. The Trust is confident that sufficient has been budgeted for any expense that may arise in relation to this over the next 12 months, during which time the problems should have been completely resolved.

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. Notably the Trust's busy time increasingly revolves around the soccer season, late in the calendar year, traditionally a time when extensive grounds maintenance and repairs are undertaken. Consequently the Trust has not

achieved all its targeted turf maintenance days but is confident that there have been no adverse effects on the playing conditions as a result.

### **5.11 Wellington International Airport Limited**

In February, Wellington International Airport revealed the design of its international passenger terminal, which will complete the terminal's expansion and upgrade. The building affectionately tagged "The Rock", aims to encapsulate Wellington's individuality and creativity and to create a unique and memorable visitor experience.

### **5.12 The Karori Wildlife Sanctuary Trust**

Due to delays of over two years in securing the full amount of the targeted capital funding, the Trust has identified a gap in operational funding requirements for the transition period, leading into the completion of the Visitor Centre. Accordingly, the Trust has submitted a new initiative requesting additional funding of \$1.3 million which was approved for inclusion in the 2008/09 draft Annual Plan.

It was recently discovered that the bank behind the proposed Visitor Centre was not as robust as anticipated. Subsequent geo-technical evaluation has resulted in an estimated repair cost of \$0.5-1.0 million which will significantly erode the remaining project contingency. The Trust signalled that it may approach the Council for additional loan funding to bridge this contingency.

In February, the intrusion of a weasel provided a test of the Sanctuary's bio-security resources. The Trust, though stretched, responded well and with significant help from the public, numerous traps and tracking tunnels were installed throughout the Sanctuary and the predator was caught. Whilst there has been no evidence of further intrusion, the Trust continues to lay traps and monitor tracking tunnels.

### **5.13 Carter Observatory**

In December, the Council agreed to a proposal that the Council provide further financial assistance to the Carter Observatory, and that the observatory be taken under the wing of the Council's Museums Trust.

The proposed assistance was approved by the Observatory Trust, and also requires the repeal of the Carter Observatory Act 1938 so that the Crown assets can be transferred to the Observatory Trust and the land to the Council. The repeal of the Act was signalled by the Crown earlier this year and the process is now well advanced with the management agreement expected prior to the 2008 Election.

As part of the new operating format, a new CEO, Sarah Rusholme, has been appointed by the Council and she is working with Carter, MoRST and Council officers to effect the transition to Council, and also to complete the

redevelopment of the Carter buildings. In addition, an advisory group to guide officers on the redevelopment project has been established.

#### **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 and until the Trust draws down on any Council loan funding, it is not considered necessary to report to the Subcommittee.

For the Subcommittee's information, the Trust has decided to withdraw its appeal to the Environment Court decision denying resource consent at Raekaihau Point. Whilst maintaining that Te Raekaihau Point is the best possible site, the Trust is now looking at Maranui Quarry as a possible alternative.

The Trust would have to start from scratch and apply for resource consent to build on the proposed new site, design a new building and generate a new business plan.

Council supports the decision of the Trust to look for a new site.

## **6. 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*

## **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 2007/08 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's 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.*