

31 January 2007

Paul Collins
Chairperson
Wellington Regional Stadium Trust
PO Box 2080
WELLINGTON

Dear Paul

2007/08 Statement of Trustee Intent and Council Long Term Objectives and Outcomes

As provided for in the Funding Agreement with the Council, in the last two years the Council has written to set out its expectations to assist the Wellington Regional Stadium Trust in its business planning and preparation of its Statement of Trustee Intent (SOI).

This letter, which has been prepared in consultation with the Greater Wellington Regional Council, sets out our current expectations for you to consider in your planning for 2007/08 and outyears.

In the last two years we have continued to develop the SOI content across a number of organisations to more fully reflect the relationship and interest the Council has with the Stadium. The WRST 2006/07 SOI already provides a good standard of information for the Council on the Trust's operations.

One area where the Council would like to continue to raise reporting standards is in the risk management for those organisations which it has a strategic relationship with. These organisations often manage significant assets or activities that carry a range of risks for the city whether that is infrastructure, capital development or delivering programmes that enhance the city's position.

The Stadium has a significant presence in the city and the overall performance of event management is critical to the ongoing development of Wellington as a destination of choice for both New Zealanders and the international market. Looking ahead, there are a number of notable Wellington events scheduled, with planning for the 2011 Rugby World Cup being of particular interest to the Council.

The Stadium plays a key social and recreational role for our regional community and the Council supports an event programme that appeals across the broad range of community interests. It is important that there is a citywide perspective to the Stadium events calendar and we expect that input will be sought from the Council on this, and, where appropriate, event management processes. Ensuring that the city maintains and strengthens our reputation as the "Events Capital" is a primary and

common objective that requires a collaborative approach to identifying and attracting event opportunities. We believe that working together with the Council's Events team to maximise these opportunities is a prime example of the way that we see the relationship between the Trust and Council developing further and benefiting our mutual objectives.

We appreciate that there is a close and positive working relationship between the Council and the Stadium across a range of areas and we would like to continue to strengthen this relationship with open communication from all involved. We see, as part of this, the need to work together to maintain and build the relationships with other key parties and users of the Stadium's facilities.

We look forward to receiving your draft SOI by Thursday 1 March 2007. I understand that the Trust have previously incorporated the SOI into the Business Plan. If your draft Business Plan for 2007/08 is also available, we would appreciate the opportunity to consider that and provide feedback to you. Once we have received the draft SOIs from the Trust and the CCOs, we will present those along with our comments to the CCO monitoring subcommittee at Council (CCOPS) at its meeting in late March. Any comments from that Committee will be sent to you following that meeting, with final SOIs to be provided to officers in May for presentation to the CCOPS and Strategy and Policy Committee for approval in June 2007.

Should you have any queries or comments in regard to this letter please contact Warren Ulusele in the first instance and he will be happy to elaborate on the Council's strategy and outcomes it is seeking, if you or your board wishes to discuss this.

The attachment sets out in more detail a number of reporting issues which should be considered in developing your SOI and in reporting to the Council.

Yours sincerely

Garry Poole
CHIEF EXECUTIVE

CC: David Gray, CEO

ANNEX 1

Council Vision and Outcomes

The Council's vision for Wellington continues to be *Creative Wellington – Innovation Capital*. It has identified 13 outcomes that describe the city that Council wants to achieve over the next ten years.

The detail of these outcome statements and 7 underpinning strategies are contained in the Long Term Community Council Plan.

The Council also has general objectives for WRST. These are that it should:

- have a partnership approach with Council and Council entities;
- to appropriately acknowledge the contribution of Council;
- achieve maximum effectiveness and efficiency of, and concentrated focus on service delivery;
- Provide a range of events with broad community appeal.

Expected Contribution to Council Objectives

It is vital that WRST effectively contributes to these Council outcomes to enable the city's vision to be achieved. In relation to the provisions of the Funding Agreement, we expect that your SOI will set out clearly the following information.

- a. The nature and scope of the WRST activities to be undertaken. This is expected to identify the Council outcomes or objectives that the Trust seeks to contribute to through its operations and set out how WRST intends to:
 - (i) perform its operations to achieve those outcomes
 - (ii) effectively manage those operations within its operating environment
 - (iii) identify risks and mitigation strategies, including both strategic risks that could impact on the city and operational risks that could impact on the Trust's business.
- b. It is expected that the SOI will contain three levels of measures to assess and report on WRST's performance, including:
 - (iv) the high level outcomes or objectives contributed to by WRST e.g. visitor numbers, event numbers etc;
 - (v) the cost-effectiveness of the activities that WRST undertakes e.g. cost per visitor;
 - (vi) the organisational health and capability of WRST to enable it to perform its functions e.g. days utilised, asset renewal, staff turnover, marketing spend, etc.
- c. Any other matters reasonably necessary to ensure the Council understands WRST's operating intentions and direction.

The aim is to ensure that the Council is fully informed of the operating environment, risks and issues for WRST.

Performance Reporting Expectations

We will continue to work to align reporting requirements across Council to eliminate, where possible, any reporting duplication.

Financial Information

It is expected that the SOI will include consolidated forecast financial statements covering 2007/08 and the two following years. These should be incorporated in your strategic business plan that is provided to the Council and be attached to and form part of the SOI.

They must be prepared in accordance with Generally Accepted Accounting Practice (GAAP) and should include

- a forecast statement of financial performance
- a forecast statement of financial position
- a forecast statement of cash flows
- any other forecast financial statement required by GAAP
- a reconciliation of net cash flows from operating activities to the net surplus/(deficit) in the operating statement
- a statement of movement in equity or taxpayers' funds
- details of fixed assets by category.

We appreciate that the Stadium has continued to provide quarterly reports to the Council to meet Council reporting requirements. The Council's expectations are for a budgeted statement of financial performance, statement of financial position, cashflow statement and cash flow reconciliation statement for each quarter for 2007/08.

Performance Targets

The performance targets identified above should be broken down and phased appropriately for each quarter so that actual performance can be monitored on a quarterly basis.

Performance Reporting Timetable

A proposed timetable for entity reports for the balance of 2006/07 and for 2007/08 is given below. As the Trust and funding deeds have been developed over a number of years, they can sometimes contain a range of different reporting dates. It is acknowledged that the Stadium Trust is not a CCO, but we seek your cooperation to align the reporting timeframes to coincide with Council processes. We expect that the board and management will work together to ensure that key documents are finalised and are submitted to Council ahead of these timelines.

Report Description	Due Date	CCOP Subcommittee Date
1 st Quarter Report (06/07)	n/a	Tuesday, 27 th February 2007
2 nd Quarter Report	Thursday, 1 st March 2007	Monday, 26 th March 2007 (TBC)
<u>Draft</u> Statement of Intent 07/08	Thursday, 1 st March 2007	Monday, 26 th March 2007 (TBC)
Draft Business Plan	Thursday, 1 st March 2007	n/a

07/08		
Council to respond with any amendments or revisions to the draft SOI by Friday, 13 th April 2007		
3 rd Quarter Report	Friday, 18 th May 2007	Wednesday, 6 th June 2007
Final Statement of Intent	Friday, 18 th May 2007	Wednesday, 6 th June 2007 (thereafter to be approved by SPC)
<u>Final Business Plan / Strategic Plan (2007/08)</u>	Friday, 18 th May 2007	n/a
Annual Report (4 th Quarter Report)	<i>To be confirmed</i> by WCC Finance Unit – Draft accounts will usually fall due during July and Audited Accounts usually by end of August.	<u>Wednesday, 10th October 2007</u>
1 st Quarter Report (07/08)	Friday, 9 th November 2007	<u>Monday, 3rd December 2007</u>
2 nd Quarter Report	Friday, 29 th February 2008	Monday, 24 th March 2008
<u>Draft Statement of Intent 08/09</u>	Friday, 29 th February 2008	Monday, 24 th March 2008
Draft Business Plan 08/09	Friday, 29 th February 2008	n/a
Council to respond with any amendments or revisions to the draft SOI by Friday, 11 th April 2008		
3 rd Quarter Report	Friday, 16 th May 2008	Wednesday, 4 th June 2008
Final Statement of Intent	Friday, 16 th May 2008	Wednesday, 4 th June 2008
<u>Final Business Plan / Strategic Plan (2008/09)</u>	Friday, 16 th May 2008	n/a
Annual Report (4 th Quarter Report)	<i>To be confirmed</i> by WCC Finance Unit – Draft accounts will usually fall due during July and Audited Accounts usually by end of August.	<u>Wednesday, 8th October 2008</u>

Other points

Risk Management

We expect that the SOI and business plan will set out the process by which the board assures itself and the Council that it is meeting its audit and risk assurance obligations, including how internal audit functions are provided for by WRST. An annex is attached for your information, discussing the context of risk management and organisational governance.

The SOI and business plan should identify the key risks that the entity faces in the planning period and the risk mitigation strategies that are in place to manage these risks. The Council is concerned with both strategic risk where the operations of the organisation might have a significant impact on the city and also operational risk within the business. As these risk strategies often impact on other business units within the Council it is important that they are identified and that the business plans of all parties concerned are aligned.

A number of entities made an effort to improve this last year and we want to continue to improve this as we move forward.

Communication and Access to Information

It is expected that 'open and frank' communication will continue to occur between the board and the Council and that the Council will be provided with access to information it requests. The relationship will continue to operate on a 'no surprises' basis so that any significant event that may impact on either party is brought to their attention as soon as it can be reasonably done.

Governance

We again expect that each Board will meet best practice governance standards and have in place a process to undertake a regular (at least annual) review of the overall board, individual board member and the Chair's performance. Feedback on this would be confidential between the Chair and the Director Strategy and Partnerships.

We would expect that an appropriate board development programme will also be in place to assist in lifting board performance over time. The Council has been working on an induction package for new directors and this is intended to be in place in early 2007.

ANNEX 2

Improved governance through effective risk management

Public service organisations face a wide range of strategic, operational and financial risks, from both internal and external factors, which may prevent them from achieving their objectives. Therefore, organisations need to establish and maintain a risk management framework outlining its systematic strategy, framework and processes for managing risk.

This framework should consider the full range of the organisation’s activities and responsibilities, and continuously check that various good management disciplines are in place. It should include mechanisms to ensure that the risk management and control process is monitored for continuing compliance and to ensure that changes in circumstances are accommodated so that the framework remains up to date.

Components of a risk management framework include:

- identifying key strategic, operational and financial risks, and then assessing the possible effects that the identified risks could have on the organisation;
- agreeing on and implementing appropriate responses to the identified risks (internal control, insure, terminate, modify, accept)
- putting in place a framework of assurance from different sources, to show that risk management processes, including responses, are working effectively
- reporting publicly (to the Council) on the effectiveness of the risk management system through, for example, an annual statement on internal control, including, where necessary, an action plan to tackle any significant issues
- making it clear that the governing body carries ultimate responsibility for the risk management system.

Roles and responsibilities

There are, broadly speaking, four parties that participate in an organisation’s governance activities and each has specific responsibilities. The roles of the parties are separate, and the responsibilities of each role are different. Effective governance is diminished if role boundaries are not respected. Good governance results from effective synergy generated among the activities of these differing roles, while maintaining their separation.

Role	Responsibilities
Board	<ul style="list-style-type: none"> • The focal point for all governance activities. • Ultimately accountable and responsible for the performance and affairs of the organisation, effective risk management practices, and establishing a risk appetite level. • Oversees all organisational activities (e.g., risk management, strategic direction setting, compliance with laws, good business, and ethical practices), but does not have direct management of any of them. • Establishes the “tone at the top” and implements best governance practices for organisational performance.

Role	Responsibilities
Management	<ul style="list-style-type: none"> • Develops and maintains the systems for identifying and evaluating all significant risks. • Provides assurance that risks are managed as part of a risk management process, operations are monitored, results are measured and evaluated, and corrective actions are implemented in a timely fashion. • Deploys strategy, enforces internal control, and provides direct supervision for areas under its control. • Accountable to the board, for implementing and monitoring the risk management process and establishing effective and appropriate internal control systems.
Internal Audit	<ul style="list-style-type: none"> • Performs assessments to provide assurance that systems, structures and processes are properly designed and operating effectively. • Provides advice on potential improvements to systems, structures and processes. • Provides assurance to Management and the Board of the organisation's compliance with all applicable statutes, regulations and relevant statements of best practice, that public funds are properly safeguarded and are used economically, efficiently and effectively, and in accordance with the statutory and other authorities that govern their use. • Note in smaller organisations, the internal audit function may need to be outsourced or co-sourced to a chartered accountancy firm or to Council's Risk Assurance team.
External Auditing	<ul style="list-style-type: none"> • Provides independent assurance on the financial statement preparation and reporting activities, in accordance with applicable regulations and accounting principles.

Benefits of effective risk management and internal control

An effective risk management framework and system of internal control (including internal audit) helps to ensure:

- strategies and policies are put into practice in all relevant parts of the organisation and ensuring that those strategies and policies are well designed and regularly reviewed;
- high quality services are delivered efficiently and effectively;
- performance is monitored regularly and rigorously, ensuring effective measures are put in place to tackle poor performance;
- laws and regulations are complied with
- information used by the organisation is relevant, accurate, up-to-date, timely and reliable;
- financial statements and other information published by the organisation are accurate and reliable;
- financial, human and other resources are managed and safeguarded efficiently and effectively.