

29 January 2010

Paul Collins
Chair
Wellington Regional Stadium Trust
PO Box 2080
WELLINGTON

Dear Paul

Re: 2010/11 Statement of Intent and Wellington City Council Expectations

As in previous years, this letter sets out the Council's expectations of Wellington Regional Stadium Trust (WRST or the Trust) for the coming year, in this case 2010/11. It is intended to assist the Trust in its business planning and preparation of its 2010/11 Statement of Intent (SOI). The SOI should reflect the relationship and interest that the Council has in WRST, and the likely contribution of WRST to the Council's vision of continuing to make Wellington a vibrant, internationally competitive, and affordable city.

There are two major challenges currently facing the Council. The first is the need to ensure we maximise the opportunities presented by Rugby World Cup 2011 (RWC 2011), guaranteeing that visitors have an enjoyable time in our city and that we maximise the ongoing legacy of visitor experience improvements. While WRST is a special case in this regard given its extremely close involvement in the organisation of RWC 2011, we expect to see some discussion of its plans for this event in the SOI.

The second major challenge is to minimise the rates and borrowing requirements necessary in 2010/11 to support the key objectives of the Council's Long-Term Council Community Plan (LTCCP). Clearly this challenge does not directly relate to the Trust given there is no operational funding arrangement, but we provide it for background knowledge of the Council's current priorities. As part of this focus on planning, where relevant, the Council is also looking to better align the business planning cycle of Council Controlled Organisations (CCOs) with its internal planning timeline. Again, this does not directly relate to WRST, but is provided for background.

Looking ahead to potential issues, the Council asks that, if it has not already done so, the Trust considers the impact of matters such as climate change, the Council's obligations under the Waste Minimisation Act, and the likely passing of the Emissions Trading Scheme legislation in the near future. Initial planning and response to these issues, ideally with relevant performance measures, should be included in the SOI. Refer to Annex 1 for further detail.

In line with previous years, the Council Controlled Organisations Performance Subcommittee (CCOPS) requests that WRST's SOI continues to provide some assurance on the maintenance of service levels within existing budgets, compliance with LTCCP principles, and managing ongoing pressures in areas such as visitation and cost increases.

Specific Issues

CCOPS anticipates that WRST's SOI will outline its plans, procedures and/or performance measures (where appropriate) to address the general issues outlined above. In particular, CCOPS requests an outline of the plans WRST has for RWC 2011, given its intimate involvement with this event.

In addition, CCOPS requests that the Trust articulates the risk management processes and measures it has in place in order to mitigate strategic and operational risks such as pressures on visitation, potential restructuring or renegotiating of existing sports competitions, cost increases, heightened competition in the stadia market etc. In particular, CCOPS is aware that some risks may have broader social and/or financial implications for Wellington.

On behalf of the Council, I would like to acknowledge the Trust's continued valuable contribution to Wellington's event scene, and particularly to congratulate the Trust on operating on a sound commercial basis. I also wish to congratulate WRST on Westpac Stadium being named the best sports venue in New Zealand in the Nielsen Company / Brand Advantage survey undertaken in 2009, an achievement the Trust should be very proud of.

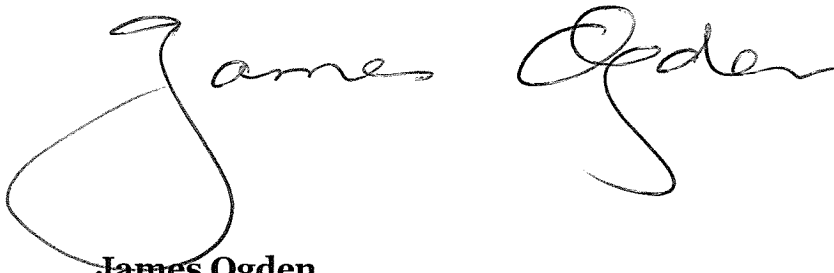
Timeline

We look forward to receiving the draft SOI and business plan by Monday 1 March 2010. Once we have received the draft SOIs, we will present them, along with our comments, to CCOPS at its meeting in April 2010. After the meeting, any feedback from the Subcommittee will be sent to you at the end of April, with final SOIs requested to be provided to officers by Friday 28 May 2010 for presentation to CCOPS, and subsequently to the Strategy and Policy Committee (SPC), for approval in June 2010.

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

Should you have any queries or comments in regard to this letter, or wish to discuss the Council's strategies and the outcomes we are seeking in more detail, please contact Maree Henwood on 803-8709 in the first instance.

Yours sincerely

A handwritten signature in black ink that reads "James Ogden". The signature is written in a cursive style with a large, looped initial "J" and a long, sweeping underline.

James Ogden
CHAIR, COUNCIL CONTROLLED ORGANISATIONS
PERFORMANCE SUBCOMMITTEE

CC: David Gray, CEO

ANNEX 1

The Purpose of SOIs

Under Schedule 8 of the Local Government Act 2002 (LGA) a key purpose of the SOI is “to provide an opportunity for the shareholders to influence the direction of the organisation”. Section 59 of the Local Government Act 2002 sets out statutory objectives CCOs should fulfil. They are:

- To achieve the objectives of its shareholders, both commercial and non-commercial, as specified in the SOI;
- To be a good employer;
- To exhibit a sense of social and environmental responsibility by having regard to the interests of the community in which it operates and by endeavouring to accommodate or encourage these when able to do so; and
- To conduct its affairs in accordance with sound business practice (for Council Controlled Trading Organisations).

While WRST is not technically a CCO, the Council expects that it will still aim to fulfil the above objectives.

Council Vision and Outcomes

The Council’s vision continues to be how to position Wellington as a vibrant, internationally competitive, and affordable city. We have identified 13 outcomes that describe the city that the Council wants to achieve over the next ten years, including becoming more liveable, having a stronger sense of place, more eventful, safer, and healthier.

However, economic reality restricts what the Council can provide while striving to keep rates and borrowing requirements within acceptable levels. As outlined in the LTCCP, the Council is working towards a balanced approach, trying to maintain most services at current levels where possible, while focusing resources into areas that contribute to Wellington’s competitive edge.

WRST makes an important contribution to these Council outcomes. Accordingly, we expect that the SOI will set out clearly the following information:

- a. The nature and scope of WRST’s functions and intended operations;
- b. The specific Council outcomes or objectives that WRST seeks to achieve or contribute to through its operations;
- c. How WRST intends to:
 - (i) operate to achieve those outcomes or objectives;
 - (ii) effectively manage those operations within its operating environment; and
 - (iii) identify risks and mitigation strategies, including both strategic risks that could impact on the city and operational risks that could impact on the business.

- d. Various levels of measures to assess and report on WRST's performance, including:
 - (i) high level outcomes or objectives achieved or contributed to by WRST e.g. number of events, attendance etc; and
 - (ii) organisational health measures to gauge the capability of WRST in performing its functions e.g. staff turnover, etc.
- e. Any other matters reasonably necessary to ensure that the Council understands WRST's operating intentions and direction.

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

- have a partnership approach with the Council and other CCOs;
- have a regional focus, where this is appropriate;
- appropriately acknowledge the contribution of Council;
- achieve maximum effectiveness and efficiency of, and concentrated focus on, service delivery; and
- operate at breakeven or better after depreciation expense.

Performance Reporting Expectations

Should you encounter reporting duplication across the Council, please bring it to our attention and we will work to further align reporting requirements.

Financial Information

The information we require to be provided under Sec 9. 1 (h) of Schedule 8 of the LGA is the same as set out in previous years. This includes consolidated forecast financial statements covering 2010/11 and the two following years. These should be incorporated in your strategic or 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 New Zealand International Financial Reporting Standards (NZ IFRS) and should include:

- a forecast statement of financial performance
- a forecast statement of financial position
- a forecast statement of cash flows
- a reconciliation of net cash flows from operating activities to the net surplus/(deficit) in the operating statement
- a statement of movements in equity
- details of fixed assets by category

We appreciate that the Trust has continued to provide quarterly reports to the Council to meet the Council's reporting requirements. The Council's expectations are for a budgeted statement of financial performance, statement of financial position, cash flow statement and cash flow reconciliation statement for each quarter for 2010/11. The quarterly reports should follow the same format and report against the budgeted quarterly information.

It should be noted that the final business plan provided at the same time as the SOI is the one reported on to CCOPS. If the Trust's internal budget changes materially, please continue to report on the final business plan under

“Budget” and add a “Forecast” or “Revised Budget” column for the revised budget in the quarterly reports.

Capital Expenditure

Given the importance of asset management considerations to the Trust, the Council anticipates that, as in prior years, the business plan will contain an analysis of planned capital expenditure, with discussion of appropriate risk assessments and funding proposals where relevant.

Performance Targets

The performance targets identified above are required for each quarter so that actual performance can be monitored on a quarterly basis. These targets should be phased to reflect any seasonal differences. Council officers will work with the Trust to ensure that performance targets are meaningful and appropriate.

Performance Reporting Timetable

A timetable for entity reports for the remainder of the 2009/10 year and for 2010/11 is given below. 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	Date due from CCOs	CCOPS Date
2 nd Quarter Reports (09/10)	1 February 2010	1 April 2010
Draft Statement of Intent 10/11	1 March 2010	30 April 2010
CCOPS to respond with feedback by the end of April 2010.		
3 rd Quarter Report (09/10)	7 May 2010	24 June 2010
Final Statement of Intent 10/11	28 May 2010	24 June 2010 (thereafter to be approved by SPC)
Final Business Plan / Strategic Plan 10/11	28 May 2010	24 June 2010
Annual Report (09/10) / (4 th Quarter Report): - Draft performance measures - Draft financial accounts - Audited financial accounts and draft commentary - Full audited annual report (including commentary)	Provisional dates (to be confirmed by Finance): 7 July 2010 14 July 2010 11 August 2010 10 September 2010	28 September 2010
1 st Quarter Report (10/11)	5 November 2010	TBC (December 2010)
2 nd Quarter Report (10/11)	31 January 2011	TBC (March 2011)

NB: With the Council election in 2010 some deadlines have been brought forward and dates beyond the election date are yet to be confirmed.

Future Environmental Initiatives

Responding to issues such as climate change, water demand management and the Council's new obligations under the Waste Minimisation Act (2008) are viewed as part of the Council's 10-year strategic approach and 3-year priorities for the 2009/19 LTCCP.

10-year approach

- Reduce the city's greenhouse gas emissions, reduce resource use and convert to renewable energy
- Dispose of waste in ways that protect the environment and encourage recycling

3-year priorities

- Take steps to reduce the Council's - and the city's - greenhouse gas emissions
- Manage demand for potable water and develop a region-wide water management plan
- Encourage people and businesses to reduce the amount of waste they produce

For CCOs, what this means is:

- Reporting on organisational emissions, which includes emissions from energy consumption (electricity, natural gas, petrol and diesel);
- Reporting on other environmental performance measures such as water consumption and waste (in line with the Council's 'Corporate Environmental Impact' reporting); and
- Identifying actions to reduce energy, waste and water and reporting on any successful implementation.

As a related issue, the Government is close to passing the Emissions Trading Scheme (ETS) legislation. The ETS is bringing the cost of carbon emissions into the economy and this cost is likely to be a long-term fixture. With the passage of the ETS and continual development of international carbon markets, the products and services we pay for will include the cost of carbon. For CCOs, these cost increases will include costs for energy (electricity, gas, petrol, diesel), as well as any goods and services that use these forms of energy (e.g. contraction projects and goods transported across the country). The more CCOs can manage energy consumption and other activities that result in emissions, the more exposure to ETS costs can be reduced.

The Council's Climate Change team is available to provide advice to any CCOs that require assistance in this area.

Other points

Risk Management

As referred to earlier, 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. The Council's Risk Assurance team is available to provide advice to any CCOs that require assistance.

The SOI and business plan will 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 a CCO 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 it is important that they are identified and that the business plans of all parties concerned are aligned.

Major Transactions

Due to the nature of the operating environment the Council works within, we require a high level of consultation and accordingly propose that the following principles govern this:

- The business plan provided to Council should disclose any material¹ transactions that are likely to occur during the planning period.
- Any transaction that is potentially contentious in nature, likely to attract media attention or which could cause embarrassment for the Council should be brought to the Council's attention, irrespective of the size of the transaction. This includes notifying the Council's Manager, CCOs and Chief Executive.

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 should 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.

The Council will continue to exercise its right to access information if it is deemed necessary to ensure its interests are upheld. We would like the SOI to include an appropriate statement, as provided in previous years, confirming the principles governing the relationship between the Council and WRST.

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 members and the chair's performance. Feedback on this would be confidential between the chair and the Council's Appointments Group. We would expect that an appropriate board development programme will also be in place to assist in lifting board performance over time.

¹ A material transaction is defined in terms of both financial and operational effects.