

**Absolutely****POSITIVELY**ME HEKE KI PŌHEKE  
WELLINGTON CITY COUNCIL**Wellington**

11 February 2008

14 FEB 2008

Paul Collins  
Chair  
Wellington Regional Stadium Trust  
PO Box 1432  
Wellington

Dear Paul

**Re: 2008/09 Statement of Intent and Council Expectations**

In previous years the Council has outlined its expectations for the Wellington Regional Stadium Trust to assist the trust in its business planning, and to enable it to complete its Statement of Intent (SOI). This letter sets out our current expectations for you to consider in the planning processes for 2008/09 and beyond.

Potential areas for improvement were identified in last year's Letter of Expectation (LoE), which led to a marked improvement in the quality of SOI's for the 2007/08 year. Nevertheless, it is important that we continue to develop the SOI content to more fully reflect the relationship and interest the Council has in various organisations that the Council is involved with.

As well as this, the Council would like to continue to raise the standards of risk management across the companies and Trusts that the Council has an interest in. The various CCO's, and the WRST, 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. An annex is attached to this letter which discusses effective risk management for your consideration.

**Specific Issues**

The management of the congested scheduling demands while ensuring ground quality and appropriate asset maintenance of the ground and facilities is expected to be a key element of the 2008/09 SOI and business plan.

Wellington City Council is interested in understanding how WRST plans to address the potential impacts of declining attendance numbers, e.g. Air New Zealand Cup revenue streams and changing levels of patterns of demand for

corporate boxes. Following from this, the Council would expect to see the Trust's long term plan for the repayment of the Wellington City Council loan.

As a major international event, we would expect to the SOI and Business Plan to provide an indication of the preparations that the WRST intend to put in place for the 2011 Rugby World Cup and the intended response to the challenges of the post-event environment with significantly upgraded Stadia elsewhere in the country i.e. Auckland and Christchurch.

It is also important to the Council that the Stadium, as a City and Regional facility, supports a broad range of community events and co-ordinated city-wide event management. Of particular importance will be the commitment to a broad event schedule and an explanation of how the Trust intends to work with the Council in achieving a co-ordinated approach to event scheduling within the City.

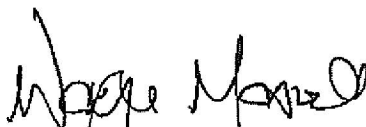
We look forward to receiving your draft SOI by Friday 29 February 2008. Once we have received the draft SOI's, we will present them, along with our comments, to the CCO Performance Subcommittee (CCOPS) at its meeting in April 2008. Any comments from the Subcommittee will be sent to you following that meeting, with final SOI's to be provided to officers by 20 May 2008 for presentation to CCOPS and SPC for approval in June 2008.

Should you have any queries or comments in regard to this letter please contact Warren Ulusele in the first instance who would be happy to elaborate on the Council's strategies and the outcomes it is seeking, should you or your board wish to discuss this.

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

On behalf of Council, I would like to acknowledge the WRST's continued valuable contribution to Wellington's event scene, and particularly to congratulate the Trust on operating on a sound commercial basis and maintaining high levels of positive visitor experience as reflected in the Council's resident satisfaction surveys.

Yours sincerely



Wayne Maxwell  
**Director, Strategy**  
Wellington City Council

CC: David Gray, CEO

## ANNEX 1

### The Purpose Of SOI's

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". [FUNDING DEED] also sets out objectives that the Wellington Regional Stadium Trust (WRST) must fulfil. They are:

- To achieve the objectives, both commercial and non-commercial, of its shareholders 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.

The SOI that is submitted to the Council needs to reflect a full explanation of the WRST's strategic direction, its risk and financial management, and the full relationship and extent of the Council's interest in WRST.

### Council Vision and Outcomes

The Council's vision for Wellington continues to be - *Creative Wellington – Innovation Capital* and 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 the trust should:

- have a partnership approach with Council and our CCO's;
- have a regional focus, where this is appropriate;
- to appropriately acknowledge the contribution of Council;
- achieve maximum effectiveness and efficiency of, and concentrated focus on service delivery; and,
- operate at breakeven after depreciation expense<sup>1</sup>

### 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. We expect that your SOI will set out clearly the following information.

- a. The nature and scope of WRST's functions and intended operations;
- b. It will identify the *specific* Council outcomes or objectives that WRST seeks to achieve or contribute to through its operations;
- c. It will set out how WRST intends to:

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<sup>1</sup> They are not required to generate a profit or surplus apart from where this is required to meet financial obligations, and neither are they required to pay a contribution or dividend to Council. They are not permitted to post a deficit after depreciation.

- (i) operate to achieve those outcomes or objectives;
  - (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. This area was raised in the Roche review.
- d. It will include levels of measures to assess and report on WRST's performance, including:
- (iv) the high level outcomes or objectives achieved or contributed to by WRST e.g. visitor numbers, range of events etc;
  - (v) the organisational health and capability of WRST to enable it to perform its functions.
- e. Any other matters reasonably necessary to ensure that the Council understands WRST's operating intentions and direction.

These areas have been highlighted again this year as a key requirement for each SOI as this a more complete description of these sections of the SOI. The aim is to more fully describe the contribution WRST makes to the city and 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*

The information we require to be provided under Sec 9. 1 (h) of Schedule 8 of the LGA is the same as set out last year. This includes consolidated forecast financial statements covering 2008/09 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 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

WRST is expected to have adopted International Financial Reporting Standards. For reporting purposes we require a budgeted statement of financial performance, statement of financial position, cashflow statement and cash flow reconciliation

statement for each quarter for 2008/09. The quarterly report will follow the same format and report against the budgeted quarterly information.

*Capital Expenditure*

As capital expenditure remains a critical aspect of the Council's financial plan, we expect that the Business Plan will contain a summarised asset management plan and an analysis of planned capital expenditure with an appropriate risk assessment of these projects. This will include how the expenditure is to be funded, including asset disposals and any borrowing strategy.

*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, and sufficiently challenging to motivate performance.

*Performance Reporting Timetable*

A timetable for entity reports for the remainder of the 2007/08 year and for 2008/09 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 Description	Due Date	CCOP Subcommittee Date
2 <sup>nd</sup> Quarter Report (07/08)	Friday, 22 <sup>nd</sup> February 2008	April 2008 (TBC)
Draft Statement of Intent 07/08	Friday, 29 <sup>th</sup> February 2008	April 2008 (TBC)
CCOPS to respond with any amendments or revisions to the draft SOI before the end of April 2008		
3 <sup>rd</sup> Quarter Report	Friday, 16 <sup>th</sup> May 2008	June 2008 (TBC)
Final Statement of Intent	Friday, 23 <sup>rd</sup> May 2008	June 2008 (TBC) (thereafter to be approved by SPC)
Final Business Plan / Strategic Plan (2008/09)	Friday, 23 <sup>rd</sup> May 2008	n/a
Annual Report (4 <sup>th</sup> 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.	October 2008 (TBC)
1 <sup>st</sup> Quarter Report (08/09)	November 2008 (TBC)	December 2008 (TBC)
2 <sup>nd</sup> Quarter Report	February 2009 (TBC)	April 2009 (TBC)
Draft Statement of Intent 09/10	February 2009 (TBC)	April 2009 (TBC)
Council to respond with any amendments or revisions to the draft SOI before the end of April 2009		
3 <sup>rd</sup> Quarter Report	May 2009 (TBC)	June 2009 (TBC)
Final Statement of Intent	May 2009 (TBC)	June 2009 (TBC)
Final Business Plan / Strategic Plan (2009/10)	May 2009 (TBC)	n/a
Annual Report (4 <sup>th</sup> Quarter Report)	<i>To be confirmed</i> by WCC Finance Unit – Draft accounts will usually	October 2009 (TBC)

	fall due during July and Audited Accounts usually by end of August.	
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## 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. The Council's Risk Assurance team is available to provide advice to any companies or Trusts that require this assistance. Annex 2 discusses risk management in greater detail.

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.

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

### *Major Transactions*

Due to the nature of the operating environment 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 material<sup>2</sup> 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 Council attention irrespective of the size of transaction. This includes notifying both the Director Strategy and Partnerships and the Council 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 will 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 member and the chairs performance. Feedback on this

<sup>2</sup> A material transaction is defined in terms of both financial and operational effects

would be confidential between the chair and the Director Council Controlled Organisations.

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 2008.

## 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"> <li>• The focal point for all governance activities.</li> <li>• Ultimately accountable and responsible for the performance and affairs of the organisation, effective risk management practices, and establishing a risk appetite level.</li> <li>• 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.</li> <li>• Establishes the "tone at the top" and implements best governance practices for organisational performance.</li> </ul>



Role	Responsibilities
Management	<ul style="list-style-type: none"> <li>• Develops and maintains the systems for identifying and evaluating all significant risks.</li> <li>• 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.</li> <li>• Deploys strategy, enforces internal control, and provides direct supervision for areas under its control.</li> <li>• Accountable to the board, for implementing and monitoring the risk management process and establishing effective and appropriate internal control systems.</li> </ul>
Internal Audit	<ul style="list-style-type: none"> <li>• Performs assessments to provide assurance that systems, structures and processes are properly designed and operating effectively.</li> <li>• Provides advice on potential improvements to systems, structures and processes.</li> <li>• 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.</li> <li>• 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.</li> </ul>
External Auditing	<ul style="list-style-type: none"> <li>• Provides independent assurance on the financial statement preparation and reporting activities, in accordance with applicable regulations and accounting principles.</li> </ul>

### 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.