

Fourth Quarter Report 2016-17

FOR THE QUARTER ENDED 30 JUNE 2017

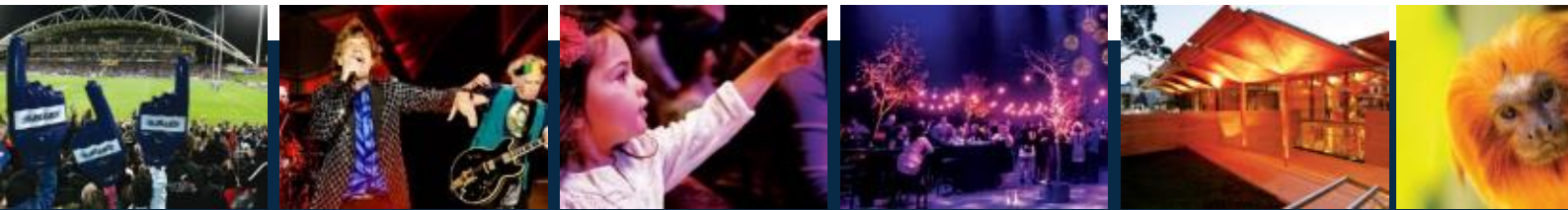


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EXECUTIVE SUMMARY

Regional Facilities Auckland's (RFA) purpose is to enrich life in Auckland by engaging people in the arts, environment, sports and events. We work in partnership with key stakeholders to present exciting, engaging and accessible experiences to those who live in and visit our city. Our innovative and imaginative programming delights people – every single day – and our collections and venues are some of the best in New Zealand.

RFA's fourth quarter programme included a diverse array of exhibitions, shows and entertainment as people flocked to experience and enjoy RFA's exciting activities and events across Auckland.

Highlights of the fourth quarter included:

- Auckland Art Gallery's *The Body Laid Bare: Masterpieces from Tate* featuring internationally renowned artwork from the Tate, London
- Festival season in the Aotea precinct including the Auckland Writers Festival and the New Zealand International Comedy Festival
- International touring musicals *West Side Story* and *Joseph and the Amazing Technicolor Dreamcoat* at The Civic
- World Masters Games football competition at QBE Stadium
- Significant upgrade and renewal works at Mt Smart Stadium
- Progress on Auckland Zoo's 10-year renewal programme
- Graduation season for University of Auckland, Massey University and Unitec.

The operational trading result is unfavourable to budget by \$0.9m. The unfavourable result is largely due to high rainfall throughout the year impacting Auckland Zoo revenue and lower number of events than budgeted for Auckland Conventions. However, the revenue challenges for these RFA divisions were offset by revenue resulting from two additional unbudgeted stadium concerts and tight management of expenditure in areas that would not adversely impact RFA's ability to grow revenue and maintain service standards.

RFA achieved or substantially achieved the majority of its non-financial performance targets for the year. The main challenge is customer satisfaction relating to the quality of some of our venues – addressed in major upcoming renewals works at Auckland Stadiums – and the impact of construction works at Auckland Zoo. These works will lead to improved visitor experiences and enhanced animal management standards in future years.

Compounding group efficiency targets

Since 2012, RFA has been requested to absorb \$7.9m of annual compounding efficiency savings through funding reductions. This amounts to \$38.4m over seven years.

RFA has a largely commercial business model. To date, these reductions have not impacted service levels, however the additional \$1.0 savings requested for 2017/2018 will now have a counterproductive impact on revenue generation and the delivery of public good outcomes.

This will include limiting our ability to offer free events such as the highly successful Lindauer exhibition, *Summer in the Square* and other family-friendly programming. RFA is also introducing a voluntary donation for international visitors to Auckland Art Gallery.

In addition to investigating the merits of a different funding model, additional operational funding will be sought as part of the Long Term Plan 2018-2028.

STRATEGIC THEMES AND FOCUS AREAS

During the fourth quarter, RFA reviewed and refreshed its Strategic Plan 2017-2020.

RFA has three strategic priorities for 2017-2020 that address the challenges facing our business and continue our journey from transition to transformation:

ENHANCE CUSTOMER EXPERIENCES

With over four million customers, visitors and fans to our venues every year, our customer experience and digital strategy is focused on delivering a better customer experience at all touchpoints of the customer journey.

OPTIMISE SECTOR NETWORKS

Continuing to identify and leverage the strengths in the sector portfolios within which we work will allow us to deliver greater opportunities for our customers and better returns and efficiencies for RFA.

INVEST IN OUR VENUES AND SERVICES

RFA is the trusted steward of \$1.3 billion of assets. Our transformational priorities focus on the development of Auckland Zoo, Auckland Stadiums and the Aotea Centre, creating venues that will be representative of a great global city and underpin future opportunities to advance our community's social and cultural wellbeing and further contribute to Auckland's economic growth.

These strategic priorities will ensure RFA meets its objectives and delivers public good outcomes and value for money for the Auckland community.



HIGHLIGHTS FOR THE LAST QUARTER

AUCKLAND ART GALLERY TOI O TĀMAKI

The Gallery's major exhibition for the year *The Body Laid Bare: Masterpieces from Tate* opened on 18 March and closes on 16 July. Featuring more than 100 artworks from one of the foremost art museums internationally, Tate, London, the exhibition brings together masterpieces by renowned artists including Auguste Rodin, JMW Turner, Pablo Picasso, Henri Matisse, Louise Bourgeois, Cindy Sherman, Sarah Lucas and more.

In April, the Gallery introduced guided tours in Mandarin, responding to the large number of Chinese visitors to the Gallery and adding a new revenue stream.

The highly successful Gallery Membership Programme grew to 4095 members, significantly ahead of forecast numbers. The presentation of ticketed exhibitions has a direct positive impact on new memberships. The programme replaces the Friends of the Auckland Art Gallery which is in the process of winding up by February 2018.

The Gallery has been working since October 2015 as a key partner with Creative New Zealand towards the high profile official NZ Pavilion, Lisa Reihana: Emissaries, at the 57th International Art Exhibition – La Biennale di Venezia that opened on 13 May and runs to 26 November 2017. Led by the Gallery's director, the Gallery produced the publication (fully funded by CNZ), supported the physical installation of the exhibition and all curatorial support. National and international media response to the exhibition has been exceptionally favourable.

Auckland Art Gallery Outreach Programme fosters new connections between communities and the Gallery. Together with community partners the Gallery collaborates with projects that reach beyond the Gallery's walls to further utilise our exhibition and collection programmes.

With a range of outreach programmes available, the Gallery is actively working with diverse Auckland communities to connect people to art and the Gallery. Outreach sessions are available free of charge to community groups that operate as charitable trusts outside Auckland's CBD. Over 1300 people participated in this year's outreach programmes. This year the Gallery introduced an online outreach programme to further the Gallery's reach and increasing engagement with diverse audiences. This included the release of a new online series that provides a platform for diverse perspectives. The first three parts of a five-part video series *Pacific Bodies' A Pacific counter-narrative to 'The Body Laid Bare: Masterpieces from Tate* exhibition has had over 60,000 views.

In 2016/2017, the Gallery received gifted artworks totalling \$4.65m in value, which is significantly up on \$775k for FY2016, and is the highest in RFA's history.

The Gallery's total visitation for the year was 521,402, exceeding the target of 450,000 by 15%. This was driven primarily by the overwhelming success of the free Lindauer exhibition *The Maori Portraits*.

The compounding group efficiency targets will have an impact on the future levels of service provided by the Auckland Art Gallery.

AUCKLAND CONVENTIONS

May and June are historically quieter months for Auckland Conventions due to school holidays, public holidays and the financial year end, when clients are less likely to seek conference space for larger events.

Auckland Conventions delivered 168 event days during the fourth quarter and a total of 675 event days for the year. Highlights of the fourth quarter included Massey University, University of Auckland and Unitec graduations, a British and Irish Lions Tour event at the ANZ Viaduct Events Centre, and a three-day Frucor Beverages conference, also held at the centre.

Attendance at events delivered by Auckland Conventions, including conference and meeting delegates and visitors to exhibitions and public events, was over 365,000 for the year, in line with the previous year.

Auckland Conventions will finish the year ahead of last year's revenue, but just short of ambitious targets for FY17. Reasons include:

- Increasing strong competition in New Zealand and Australia in the events industry including the conventions sector, resulting lower numbers of events than budgeted and lower numbers of profitable events
- Shortage of hotel accommodation in Auckland especially when there are visitors for large international events competing for rooms (World Masters Games and British and Irish Lions Tour in 2017)
- Availability of Aotea Centre for Auckland Conventions events due to the festival seasons in Q3 and Q4
- Limited ability to host events at the Zoo due to construction works.

The compounding group efficiency targets may have a counter-productive impact on revenue generating activities provided by the Auckland Conventions.

AUCKLAND LIVE

The annual Auckland Writers Festival returned to the Aotea Centre in May with record attendance of over 72,000 over six days, including over 5,700 students for the schools programme. The 2017 programme was the most ambitious to date with 42 international writers, historians, scientists, radicals and thinkers joining the world's largest showcase of New Zealand literary talent in Auckland from 16-21 May. This year's festival also included activating Aotea Square, a festival first, with the Heartland Festival Room.

With Auckland Live's support, Taki Rua presented *Tiki Taane Mahuta* for two performances in Aotea Centre's ASB Theatre in May. This large-scale aerial theatre work included live music

and visual projection. More than 800 secondary students attended the matinee performance.

May saw the launch of the Civic Tours, to coincide with Auckland Live's third birthday. Tours sold out on the first morning of general sale and a waiting list for future tours has been established to meet public demand.

Auckland Live is continuing to establish Bruce Mason Centre as the home of live entertainment for families. The *13-Storey Treehouse*, based on the best-selling novels, played a 10-show season during the April school holidays at Bruce Mason Centre with total attendance of 7,431 which exceeded sales targets for this event.

Auckland Live's fourth quarter line-up also included Ryan Adams' sell out performance at The Civic, Auckland Symphony Orchestra's ever popular *Last Night of the Proms* series, schools events J Rock and Stage Challenge, the Royal New Zealand Ballet's *Carmen* at the Aotea Centre, and international musicals *West Side Story* and *Joseph and the Amazing Technicolor Dreamcoat* at The Civic.

In June, the RFA Board considered a business case for the expansion of the Aotea Centre - Aotea 2 Studios. Inspired by international best practice, the expansion includes state of the art specialised studios for music, drama and dance; development, rehearsal and public performance spaces; first-class digital recording facilities; office accommodation; and retail and food and beverage outlets. The Board approved the project moving to detailed design stage.

The compounding group efficiency targets may have a counter-productive impact on revenue generating activities and the future levels of service provided by the Auckland Live.

AUCKLAND STADIUMS

The start of the winter sports season during the fourth quarter saw matches played across RFA stadiums. The World Masters Games football competition in April took place at QBE Stadium, with 214 games played across nine days. The Warriors played three home games at Mt Smart Stadium in April. There was sporting activity on every day at QBE Stadium during May, including rugby, cycling, AFL and soccer. The British and Irish Lions used QBE Stadium as a training venue for large parts of their NZ tour. The stadium received excellent feedback from the Lions tour party about the quality of the venue and the services provided by Auckland Stadiums.

Major renewal works continued at Mt Smart Stadium, including:

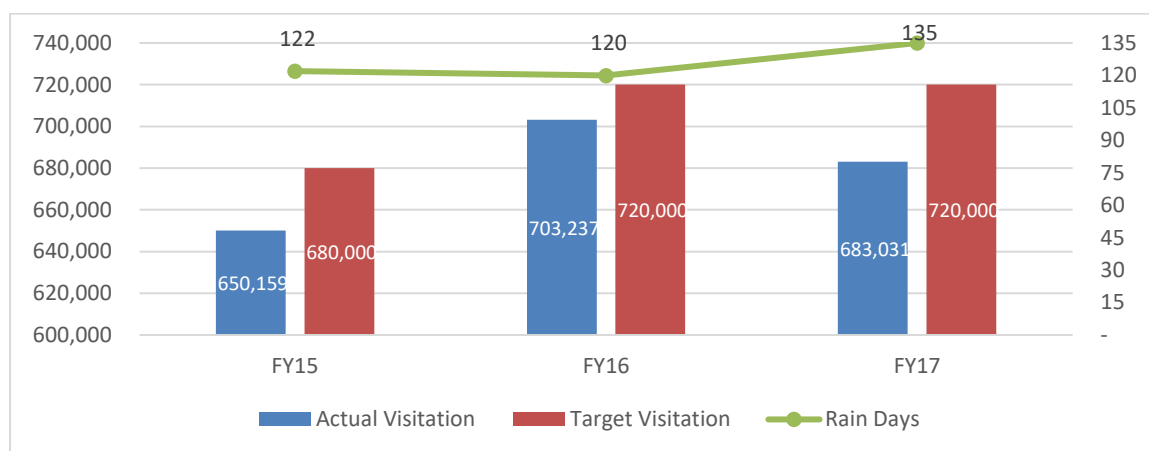
- Significant gate improvements with completion by end of July
- Refurbishment of players and officials facilities completed June 2017
- Conclusion of the LED floodlight project in July. Mt Smart Stadium will be the first stadium in NZ with broadcast quality LED floodlights.

The compounding group efficiency targets may have a counter-productive impact on revenue generating activities and the future levels of service provided by the Auckland Stadiums.

AUCKLAND ZOO

Largely fine weather during the April school holidays saw Auckland Zoo's visitation lift after a very wet year. April's visitation was the second highest April on record, which also contributed to the Zoo's retail outlet *Wildzone* and catering outlets recording very high sales.

However, full year visitation was 683,031 compared to a target of 720,000. Visitor numbers has a direct impact on revenue for the Zoo including admissions income, food and beverage and retail sales. There were 135 rain-affected days during 2016/2017 compared to 120 days in 2015/2016.



Auckland Zoo plays an active role in coordinated international breeding programmes that support its strategic objective of *Caring for Wildlife*. As part of an international conservation programme, a new pair of the small endangered new world primate Golden Lion Tamarin has been established at the Zoo with the intent to breed.

Auckland Zoo continues to build a strong reputation for technical expertise in NZ wildlife management, with members of the Zoo's bird team involved in managing two critically endangered native orange-fronted parakeets, takahe health checks across a number of takahe sites in NZ, and an annual kiwi muster on Rotoroa Island. This work supports the Zoo's strategic objective of *Conserving Wildlife*.

Project planning continued for the next stage of the Zoo's 10-year redevelopment plan, the South-east Asia precinct, with detailed concept design for the precinct now completed and work expected to start in late 2017.

The Zoo's social media engagement continues to increase every month with over 118,000 social media followers across all channels managed by the Zoo. In May, three new programmes in the web series *Zoo Tales* were published online.

The compounding group efficiency targets may have a counter-productive impact on revenue

generating activities and the future levels of service provided by the Auckland Zoo.

PROPERTY

Physical works commenced in June on the Aotea Centre and Auckland Town Hall shared services building and will be completed by the end of 2017. The project arises from the sale of the Civic Administration Building and the need to establish separate power and HVAC services for the Aotea Centre and Town Hall. The project team will be working to minimise business disruption associated with the works.

TRANSFER OF QUEENS WHARF MANAGEMENT TO RFA

During 2017, Panuku Development Auckland and RFA worked together to prepare the transfer of management of Queens Wharf facilities, including Shed 10 and The Cloud, from Panuku to RFA on 1 July 2017. Panuku retains the Council's ownership interests and will continue to lead the delivery of place making and future development of the wharf. RFA takes on day-to-day management of the assets (including renewals, repairs and maintenance), and will deliver events and activities that enrich Auckland's flourishing social, arts and cultural landscape.

EDUCATION AND LEARNING PROGRAMMES

RFA provides learning opportunities for children and young people across the Auckland region.

Over 4,000 school children experienced 'A Day at Auckland Live' in September, December and June. The full-day free programme delivered at the Aotea precinct and Bruce Mason Centre offers primary and intermediate school children the opportunity to watch inspirational performances and participate in workshops.

'I just wanted to let you know that we had the most amazing day at Auckland Live today. It is probably one of the best trips that our kids have ever experienced. Certainly as a teacher of 12 years, I can't name a trip that has been better. Everything was so well organised and the shows and workshops were outstanding. All of our parents and teachers were blown away. On top of all of that, it was free!' (Mt Roskill Primary School, Decile 3)

This year over 48,000 school children participated in Auckland Zoo's education programmes linked to the primary and secondary school curriculums. The Zoo's new early childhood education programme launched in June 2017, and its new Matarangi Maori science education programme launched in July 2017.

The Zoofari school programme is a partnership between Auckland Zoo and The Warehouse and provides funding for low decile schools (Deciles 1-3) to send students to learning programmes at the Zoo. The programme first ran in 2013. Over 3300 students will benefit from Zoofari in 2017.

Over 48,000 school children participated in Auckland Art Gallery's learning programmes in 2016/2017, up 9 % on the previous year.

CHILDREN AND FAMILIES

Over 11,000 people enjoyed the 2016 winter season of *Pick n Mix*, Auckland Live's popular series of free and family-friendly weekend performances and workshops. Starting in June for the 2017 winter months, there will be 29 *Pick n Mix* performances in four Auckland locations including the Mangere Arts Centre and Bruce Mason Centre.

Every school holidays Auckland Zoo comes alive with activities for children that inspire them to value wildlife. April's programme focussed on *Aotearoa's Natural Treasures* and July's on encouraging children to become animal champions, with challenges relating to five species at the Zoo.

The Gallery's latest Todd Foundation Creative Learning Centre installation, *Once Upon a Time in Art*, has been a popular free family attraction and can be viewed until the end of September.

RFA's summer holiday programming attracted thousands of visitors including children and families to venues across the city with a varied line-up of shows, exhibitions, educational workshops, live music and theatre, and free events.

Summer in the Square successfully wrapped up its three-month run of free, family-friendly events in Aotea Square in February. More than 100,000 visitors enjoyed a variety of programmes ranging from DJs and live music by popular Kiwi musicians, gardening workshops, vintage weekends, games and theatrical performances.

Inspired by current exhibitions, Auckland Art Gallery ran its weekly free family-friendly drop-ins throughout the year.

FUTURE OUTLOOK

The award-winning international production *Matilda the Musical* was announced in early March and will open at The Civic in August for a New Zealand-exclusive season. Performed by The Royal Shakespeare Company, the musical is based on Roald Dahl's bestselling children's novel.

Auckland Live's *International Cabaret Season* will be dialling up the glitz and glam as it unleashes a suite of international and local cabaret provocateurs and cultural icons across the city centre (including Auckland Town Hall, Basement and Q Theatre), over eighteen evocative nights in September.

Auckland Live and Auckland Stadiums will collaborate to bring another exciting summer concert season to Auckland for 2017/2018. The coming summer's line-up includes Ed Sheeran (three sold out concerts in March 2018), Paul McCartney and Sia (both in December 2017).

The ever popular NZ International Film Festival returns to The Civic from 20 July to 6 August.

The Corsini Collection: A Window on Renaissance Florence opens at the Auckland Art Gallery on 2 September 2017. This ticketed exhibition is a collaboration with the Art Gallery of Western Australia in Perth, the Corsini Collection in Florence and the Mondo Mostre company in Rome. The exhibition closes in January 2018.

Construction work for Auckland Zoo's renewal of the South-east Asia precinct, the biggest project of the Zoo's redevelopment programme to date, commences in late 2017. The \$38m development will significantly upgrade facilities for a range of South-east Asian species including tigers and orangutans. In addition, the Zoo's discovery and play area, KidZone, will be extended to provide a dedicated learning space for early childhood education programmes.

Work will commence towards the end of 2017 on the two-year \$35m project to refurbish the Aotea Centre, including both external (including the roof) and internal works.

KEY DELIVERABLES

PROJECT	DELIVERABLE	STATUS	PROGRESS
INFLUENCING SECTOR CHANGE	<p>Close collaboration with the Auckland Council and the museums, stadiums and arts and cultural sectors to improve the financial sustainability, standards of service delivery, and cultural and economic benefits to the Auckland community.</p>	Ongoing	<p>RFA continues to work closely with Auckland Council and the museums, providing advice to Auckland Council when required.</p> <p>We continue to support the independent review of the major cultural heritage institutions and will work with Auckland Council and the museums as the review progresses. In addition we have been working with the sector in relation to the proposals for the Fire and Emergency NZ regulations.</p> <p>On 1 July, the management of Queens Wharf facilities including Shed 10 and The Cloud transferred from Panuku to RFA. This followed six months collaboration between the two CCOs to ensure a smooth transition.</p>
STAKEHOLDER ENGAGEMENT	<p>RFA will continue to work with Auckland Council and Local Boards in a collaborative way to ensure that key strategies and policies are adhered to and that decisions represent the best interests of the Council group and ultimately the ratepayer. Key to achieving this is:</p> <ul style="list-style-type: none"> Engage where appropriate with the Councils Group's Alternate Financing initiative. Working with Auckland Tourism Events and Economic Development (ATEED) to develop and deliver significant events for the region and where possible reduce ratepayer funded events and venues competing against each other. Collaborate with sector stakeholders to provide thought leadership and drive overall creative vision. 	Ongoing	<p>RFA works with ATEED to ensure that event planning is coordinated across the city. These activities range from cost effective management of large events, sharing of resources and reducing duplication of effort.</p> <p>RFA is completing an audit of stakeholder perceptions of issues facing the Western Springs precinct, what they see as the precinct's potential and future opportunities for collaboration.</p>
HEALTH AND SAFETY CULTURE	<p>RFA is committed to driving a strategy that aims to improve the health and safety of our employees, visitors, contractors, clients and patrons, and maintain the well-being of all our employees. We will do this by:</p> <ul style="list-style-type: none"> Reducing employee injuries by 25% over five years and reviewing incidences to the public to identify hazards and prevent recurrence. Active involvement and commitment of leaders in management of health and safety through behavioural safety and personal responsibility. Increased worker engagement through adopting behavioural 	Ongoing	<p>RFA has reviewed and revised its Health & Safety Strategy as required each year. A number of key objectives have been identified and annual targets set for measuring progress. The revised Health and Safety Strategy has been approved by the RFA Board. Monthly reports against targets are provided to the Executive Leadership Team and the Board. The Health, Safety & Risk Committee of the Board meets quarterly and is provided with more in-depth information. Board site visits of RFA venues have been undertaken over the last 6 months and will continue. The ACC audit for RFA was successfully undertaken and the secondary level accreditation achieved.</p>

PROJECT	DELIVERABLE	STATUS	PROGRESS
	<p>safety and personal responsibilities.</p> <ul style="list-style-type: none"> Aligning our health and safety management system to industry best practise. 		
EXTERNAL REVENUE MAXIMISATION	<p>RFA will continue to identify, develop and implement opportunities for increasing external revenue to minimise the cost to ratepayers of delivering activities that enhance Auckland's cultural capital. Key to this strategy is:</p> <ul style="list-style-type: none"> Exploring other revenue opportunities through closer collaboration across the sectors we operate in, partnering with private businesses, and leveraging Council Group initiatives. Enriching events programming and driving revenue growth through pursuing investment opportunities utilising the Production Investment Fund. Working with ATEED to develop and deliver significant events for the region and where possible reduce ratepayer funded events and venues competing with each other. Working with various sectors and our business partners to develop philanthropic and sponsorship activities. Enhancing the customer experience by gaining further customer market intelligence and market insight to connect to new audiences. Strategic capital investment into existing facilities. Growing the depth and breadth of our revenue base. 	Ongoing	<p>Significant progress has been made on a number of these initiatives, including:</p> <ul style="list-style-type: none"> Auckland Art Gallery Toi o Tamaki closed its largest-ever Gottfried Lindauer exhibition The Maori Portraits. The exhibition involved collaboration with ATEED to deliver an exhibition that has significance to New Zealand and Maori. Retail sales at Auckland Art Gallery exceeded budget for FY17 with factors including visitation to exhibitions, increased memberships, establishment of the online shop, and pop-up shops targeting exhibition visitors. Auckland Stadiums' and Auckland Live's most successful season of outdoor concerts, including Justin Bieber, Guns n Roses, Bruce Springsteen and Adele, attracting over 300,000 attendees. Announcement and commencement of ticket sales for the blockbuster Matilda musical, opening at The Civic in August 2017. This has utilised the approved Event Facility Fund. Essential renewals and capital investment into Mt Smart Stadium to meet the needs of current and future hirers.
ENHANCING THE OPERATIONAL BRANDS	<p>Investment in digital media by identifying business requirements including CRM, digital platforms and growing social media to connect with new audiences.</p>	Ongoing	<p>The Auckland Art Gallery website redevelopment is complete. Redevelopment of the Auckland Zoo website has commenced and is expected to be completed by August. Preliminary work has started on the Auckland Live and Auckland Conventions websites.</p>
DELIVERY OF KEY CAPITAL PROJECTS In addition to the delivery of essential renewals work to ensure RFA venues are fit for purpose for hirers and the Auckland community, there are three capital investment areas	<p>AUCKLAND STADIUMS</p> <p>Strategic investment into Auckland Stadiums by exploring opportunities to increase utilisation and financial sustainability through investment into Western Springs, QBE North Harbour Stadium and Mt Smart Stadium.</p>	Ongoing	<p>Active progress has been made in advancing the capital works across QBE Stadium and Mt Smart Stadium. Major projects underway (or completed) at Mt Smart include:</p> <ul style="list-style-type: none"> Installation of the new LED screen (rather than hiring) Renewal of player and official facilities and media facilities Renewal of entry gates Installation of new LED floodlights, making Mt Smart the first stadium in NZ with broadcast-standard LED

PROJECT	DELIVERABLE	STATUS	PROGRESS
			lights and further contributing to RFA's ongoing sustainability improvements.
<i>Continued</i> DELIVERY OF KEY CAPITAL PROJECTS			<p>Development of the outer oval at QBE Stadium into fit for purpose floodlit training fields. The field area has been opened now and the floodlight installation was completed in April.</p> <p>The RFA Board approved a business case for the potential redevelopment of Western Springs. This will be tabled to Council for consideration as part of the Long Term Plan 2018-28.</p>
	AOTEA CENTRE Strategic capital investment into the Aotea Precinct with external parties to enliven and grow the cultural activity of Auckland. An arts and cultural hub seeks synergies in clustering and generates new retail and commercial investment and improves the customer experience.	Ongoing	<p>In June 2017, the RFA Board considered the the business case to expand the Aotea Centre and approved it moving to detailed design phase. The next step is to procure professional services (architect, engineers, theatre planners, etc) for full detailed design.</p> <p>The external and internal refurbishment of the Aotea Centre will commence in late 2017 and completed by February 2019.</p>
	AUCKLAND ZOO Invest in Auckland Zoo's aging infrastructure to cater for increasing international standards of animal care, health and safety and improved visitor experience.	Ongoing	<p>The Zoo is in the second year of a major capital renewal programme to address its aging infrastructure.</p> <p>Major projects underway or completed include:</p> <ul style="list-style-type: none"> • The Australian precinct was completed and opened to visitors on 17 December 2016. • Concept design for the South-east Asia precinct is complete, all relevant project contractors are engaged and a more detailed design process is underway. This project significantly upgrades facilities for a range of species including orangutans and tigers. Construction is expected to commence late 2017.

UNAUDITED FINANCIAL PERFORMANCE

Regional Facilities Auckland	ACTUAL 2016-2017 \$000s	BUDGET 2016-2017 \$000s	VARIANCE \$ \$000s	VARIANCE %
OPERATIONAL				
REVENUE				
Opex funding from Auckland Council ¹	27,281	25,718	1,563	6%
Capital funding from Auckland Council ²	30,278	40,446	(10,168)	(25%)
Fees and user charges	44,305	45,907	(1,603)	(3%)
Subsidies and grants	5,676	518	5,158	995%
Development and financial contributions	0	0	0	0%
Vested assets (non-Crown)	0	0	0	0%
Other revenue	9,988	7,083	2,905	41%
TOTAL REVENUE	117,528	119,673	(2,145)	(2%)
EXPENDITURE				
Employee benefits ³	37,857	34,871	(2,985)	(9%)
Depreciation and amortisation	26,987	24,888	(2,099)	(8%)
Grants, contributions and sponsorship	1,862	1,379	(483)	(35%)
Other operating expenses	49,629	43,801	(5,828)	(13%)
TOTAL EXPENSES	116,334	104,940	(11,395)	(11%)
Finance income	889	1,076	(187)	(17%)
Finance expense	327	252	(75)	(30%)
NET OPERATING INCOME	1,755	15,557	(13,802)	(89%)
CAPITAL EXPENDITURE				
Total capital expenditure	30,278	40,446	10,168	25%

¹ Additional funding as a result of holiday pay liability adjustment

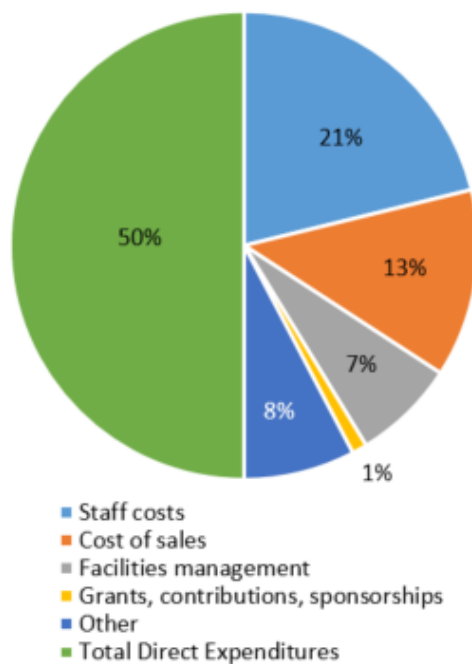
² Includes approved deferrals

³ Actual employee costs include direct payroll costs relating to event delivery and the annual leave liability. These are budgeted under 'other operating expenses'.

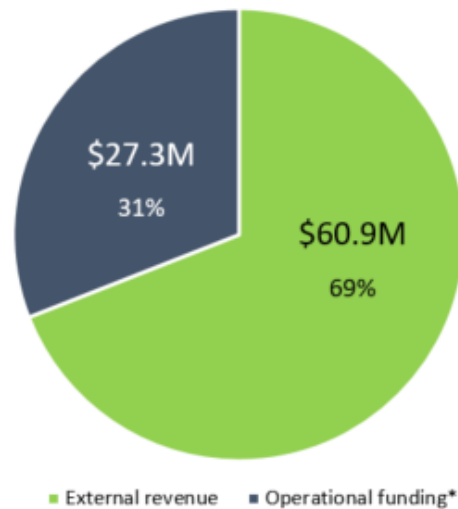
RFA OPERATIONAL

RFA operates a commercial business model. The following charts provide some insight into RFA's income structure and cost drivers.

RFA cost drivers



RFA income



* Operational funding of \$27.3m includes \$1.6 additional funding for annual leave liability

RFA finished the fourth quarter with an accounting surplus of \$1.8m which is \$13.8m unfavourable to a budgeted Annual Plan of \$15.6m. The leading factor for the adverse result is the timing of capital project delivery across RFA.

These figures do not reflect the core operations of the organisation as it includes abnormal or non-cash items such as donated assets, asset write offs, funding for capital works and depreciation. The major accounting variances are presented in the table below.

	YEAR TO DATE VARIANCE \$000s	COMMENTS
CAPITAL FUNDING	(10,168)	Capital programme is behind budget due to timing of projects at Aotea Centre, Stadiums and the Auckland Zoo redevelopment programme. These projects have been committed/contracted this year and construction will commence in FY18.
FEES AND USER CHARGES	(1,603)	Predominantly a result of lower Auckland Zoo admission revenue (\$1.5m) impacted by several factors, including wet weather, capital construction schedule and an increased number of options available for leisure events.
SUBSIDIES AND GRANTS	5,158	Artwork donated to Auckland Art Gallery is not budgeted.
OTHER REVENUE	2,905	On charges of direct costs relating to stadium events.
EMPLOYEE BENEFITS	(2,985)	Temporary and casual staff in high demand due to increased volume of events, concerts and exhibitions across Auckland Live, Auckland Zoo and Auckland Art Gallery. Additional costs as a result of holiday pay liability adjustment
DEPRECIATION	(2,099)	Increased cost resulting from prior year asset revaluations.
OTHER OPERATING EXPENSES	(5,828)	Major component is cost of sales relating to stadium concerts and Auckland Live events.

The operational trading result is unfavourable to budget by \$0.9m. Major revenue and expenditure variances are noted below.

- Auckland Zoo accounted for \$1.7m of the unfavourable revenue variance to budget. Main drivers are rain affected peak days which impacted visitation numbers, food and beverage and shop sales. In addition, experience products were impacted by the onsite construction, lower than anticipated education/schools programme revenue and lower sponsorship activity than budgeted.
- Auckland Conventions revenue unfavourable to budget by \$2.1m as a result of lower event numbers across all venues, less profitable events and strong competition. Additionally, the ability to host events at the Zoo was limited due to construction, and at Aotea venues due to limited availability during the festival season.
- On a positive note, Auckland Stadiums contributed additional revenue this year mainly due to two additional unbudgeted concerts. It was a busy year with the highest number of outdoor concerts including Bruce Springsteen, Justin Bieber and three sold out Adele concerts. This has resulted in Stadium revenue ahead of budget by \$2.2m.
- Auckland Art Gallery received over \$4.7m worth of gifted artworks this year. This is recognised as revenue, which mitigated some of the revenue challenges in other areas.
- Other operational expenditure was \$2.4m favourable to budget mainly in repairs and maintenance and advertising and marketing expenditure. These costs are tightly managed to ensure no impact on our ability to grow revenue and maintain our service standards across all the business units.

RFA CAPITAL

The delivery of capital projects across the organisation is behind the annual plan target by \$10.1m. In addition to the key projects outlined in the “Key Deliverables” section, the following projects are underway:

- Aotea Centre/Auckland Town Hall Shared Services Project – Physical works are planned to commence in FY18 due to the Civic Administration Building (CAB) project and plans to decommission the current facility by December. Enabling works to run new power and HVAC services are currently underway for Aotea Centre and RFA is working with Auckland Council corporate property on a permanent solution for services to Auckland Town Hall.
- Aotea Centre Refurbishment – This project will include the interior and exterior refurbishment which is scheduled to take place between February 2018 and February 2019. The LTP currently provides funding across 10 years to address weather tightness and the ageing interior of the building. The funding for this project was brought forward and approved in the FY18 Annual Plan.

Capital project highlights for the year include:

- Installation of replay screens and floodlights at Mt Smart Stadium
- Upgrade of entry gates, player and media facilities at Mt Smart Stadium
- Reconstruction of the outer oval at QBE Stadium
- New online retail website for Auckland Art Gallery
- The Civic weather proofing
- Kid Zone upgrade at Auckland Zoo
- Opening of the new Strangely Beautiful Australia exhibit at Auckland Zoo
- Replacement of the grand piano in Auckland Town Hall.

PERFORMANCE MEASURES

RFA has an agreed set of performance measures and targets which form the basis for accountability for delivering our key strategic objectives and priorities. The framework for measuring key outcomes aligns to the measures agreed as part of the Long Term Plan 2015-2025 and Annual Plan 2016/17.

- Target met
- Substantially met [2%]
- Not met

WHAT WE DO (LEVEL OF SERVICE)	HOW WE WILL MEASURE SUCCESS (PERFORMANCE MEASURE)	ANNUAL TARGET 2016/17	MAR 2017 YTD ACTUAL	JUN 2017 YTD ACTUAL	PROGRESS
We provide live arts and entertainment experiences for Aucklanders and visitors to our city. Leader of arts and entertainment events in New Zealand	Number of publically available performing arts performances programmed by Auckland Live Venues include: Aotea Centre, Auckland Town Hall, The Civic, Aotea Square, Bruce Mason Centre	825	931	1036	■
	Visitor satisfaction with experiences at Auckland Live events Venues include: Aotea Centre, Auckland Town Hall, The Civic, Aotea Square, Bruce Mason Centre	90%	90%	90%	■
	Percentage of patrons who believe Auckland Live provides them with a rich choice of arts and entertainment options	76%	78%	78%	■
We bring people together and help provide identity through memorable stadium events	Number of commercial event days at stadiums Venues include: Mt Smart Stadium, QBE North Harbour Stadium, Western Springs Stadium	443	314	467	■
	Number of community event days at stadiums Venues include: Mt Smart Stadium, QBE North Harbour Stadium, Western Springs Stadium	645	387	532 ^[1]	■
	Visitor satisfaction with experiences at Auckland Stadium venues	88%	83%	82% ^[2]	■

WHAT WE DO (LEVEL OF SERVICE)	HOW WE WILL MEASURE SUCCESS (PERFORMANCE MEASURE)	ANNUAL TARGET 2016/17	MAR 2017 YTD ACTUAL	JUN 2017 YTD ACTUAL	PROGRESS
We care for our collections for current and future generations to enjoy and to bring cultural awareness of art and wildlife to Auckland and its visitors	Total number of visitors to Auckland Zoo	720,000	504,149	683,031 ^[3]	
	Total number of visitors to Auckland Art Gallery	450,000	346,095	521,402	
	Visitor satisfaction with experiences at Auckland Zoo	90%	89%	89% ^[4]	
	Visitor satisfaction with experiences at Auckland Art Gallery	90%	91%	90%	
	Number of Maori programmes annually at Auckland Art Gallery	10	16	18	
	Percentage of visitors reporting an enhanced appreciation of wildlife	80%	82%	81%	
We manage our physical building assets in a way that ensures their long-term existences as a valued part of Auckland's social infrastructure	Visitor satisfaction on the condition our facilities	90%	85%	84% ^[5]	
	Percentage of Mana Whenua satisfaction with quality of engagement	New Measure	N/A	N/A	
Minimising the financial burden on Auckland ratepayers	Percentage of operating costs met through external revenue (excluding Council funding and depreciation)	61%	67%	68%	

[1] While there were significant community activities across the Auckland Stadiums venues, the increased volume of commercial activities at Auckland Stadiums venues resulted in reduced capacity for community events at certain times of the year. This, combined with the cessation of historical motorsport activities in the QBE Stadium car park and reduced community programmes by key stakeholders, resulted in actual activity being 10% below budget.

[2] The visitor satisfaction rate is an average rate for three venues, based on the condition of facilities and service experience. The Stadiums renewals and key strategic investments are expected to improve visitor satisfaction and make our venues more fit for purpose.

[3] Adverse weather conditions, competition with alternative school education programmes, and constraints to running experience products all have affected Zoo visitation this year. The next financial year will be more challenging for the Zoo as a massive area will be closed to the public due to the redevelopment of South-east Asia precinct. Plans to mitigate the impact are well underway, including a temporary exhibition to boost visitation to the Zoo.

[4] Zoo strategy plan with a focus on customer experience, and approved capital programmes are expected to improve visitor satisfaction.

[5] Condition satisfaction is the aggregate result across all venues. This result is influenced by visitor satisfaction ratings with the condition of the stadiums. RFA's capital plan is expected to increase visitor satisfaction.

CONTRIBUTION TO MĀORI OUTCOMES

RFA's Māori Engagement Strategy aims to enhance existing relationships with iwi and enter into business relationships in order to create meaningful engagement. This may create employment, and be either cost neutral or generate a profit, while positively increasing the visibility of iwi and enhancing the RFA brands.

The increased visibility of iwi in terms of a business, tourism and reputational perspective is consistent with the focus of the Independent Māori Statutory Board and Council's Te Toa Takitini approach.

RFA is committed to continuing to develop programmes and initiatives to support Maori visibility at regional facilities, support Maori businesses to engage with RFA, and support tikanga Maori cultural expression. These include Auckland Zoo's Maori science programme, Auckland Art Gallery's Maori Advisory Group, Auckland Art Gallery's Lindauer exhibition, and Auckland Conventions' support for the Tamaki Herenga Waka Festival on Anniversary Day 2017.

As part of RFA's overall renewals and capital works programme, bi-lingual signage and incorporation of Maori identity and Te Aranga design principals are being incorporated where appropriate in accordance with Auckland Council's Te Reo Maori Framework.

RFA has developed a strategy to build on our existing organisational capability in Te Reo and tikanga and to ensure that biculturalism is reflected in our everyday work practices.

These and other initiatives form part of RFA's operations rather than specific and discrete projects. However, the following are examples of specific projects for the 2016/17 financial year which align with the goals of RFA's approved Maori Engagement Framework.

INITIATIVE	CONTRIBUTION TO MĀORI OUTCOMES
<p>Auckland Zoo regularly consults with a range of iwi with respect to planned animal translocations, to gain support for the zoo's applications to receive or release native wildlife. The zoo also seeks iwi advice on, and assistance with, the appropriate tikanga associated such animal movements or exhibit openings at the zoo.</p> <p>Auckland Zoo has engaged Brian Ireland (Taranaki Whanui, Te Ati Awa), who has worked in the education teams of both Auckland Zoo and Zealandia Eco Sanctuary, to develop a Maori Science programme. The programme, Mataranga Maori, is used primarily by the Zoo's education team. It is also planned for use by the Zoo's visitor engagement team for visiting tours and targeting tourists.</p> <p>Te Wao Nui has developed Māori stories and is continuing to enhance this significant component of the experience which is also being actively promoted to international visitors and includes bi-cultural signage.</p>	<p>Celebration of Auckland's Māori identity as its point of difference in the world for its visitors.</p>

INITIATIVE	CONTRIBUTION TO MĀORI OUTCOMES
<p>The Auckland Art Gallery Māori advisory group, Haereawa, was established in 1994 to assist with the implementation of those aspects of the Gallery's strategic plan relevant to Māori and to be an advisory and support group to Gallery management. Haere Williams accepted an invitation to join the group.</p> <p>In March, the Gallery opened the exhibition Charles F Goldie: Revealing the Painter and the Subject. The exhibition includes the long-term loan of the portrait of Chief Wharekauri Tahuna of Te Arawa, a painting that recently garnered New Zealand's greatest auction sale of \$1.2m and is now invested on long-term loan to the Gallery. The Goldie paintings are among the most loved and admired works in the Gallery's collection and are presented in a space permanently dedicated to displaying Māori portraits.</p> <p>Lisa Reihana's 'In Pursuit of Venus [infected]' from the Gallery's collection was the key work featured in the exhibition 'Lisa Reihana: Emissaries' as New Zealand's official pavilion for the 57th International Art Exhibition – La Biennale di Venezia Arte in 2017.</p> <p>The Gallery supported Curator Māori Art, Nigel Borrell, as the only curator invited and funded by Creative New Zealand to participate in the First Nations Curatorial Exchange Programme (FNCE) alongside 35 curators from Aotearoa New Zealand, Australia, Canada and the Indigenous Sami people (Norway, Sweden, Russia and Finland). The programme coincided with the opening of La Biennale di Venezia Arte and its intention is to provide an international platform for potential futures for indigenous curators and curatorship.</p>	<p>As New Zealand's leading visual art institution, it is Auckland Art Gallery Toi o Tāmaki's role to showcase New Zealand art and culture.</p>
<p>Auckland Stadiums provides Māori cultural experiences at major events and continues to actively seek iwi events.</p> <p>Bi-cultural signage has been implemented at Auckland Stadiums in accordance with its regular renewals programme.</p>	<p>Celebration of Auckland's Māori identity as its point of difference in the world for its visitors.</p>
<p>Te Puhi by Cian Elyse Waitī, Auckland Live's flagship Matariki Festival event, ran 12-17 June at the Herald Theatre. This fictional story of the first Maori Miss New Zealand was a critical and commercial success. One show was added and three performances in the season sold out. A new partnership has been created with the company behind the production and we are likely to work with them again in the future.</p> <p>A Day at Auckland Live featured three Maori and Pacific performing arts companies, played to a maximum capacity of 2,100 primary and intermediate aged children over two days at Bruce Mason Centre and five days in the Aotea precinct venues.</p> <p>Larger than Life was a short development season presented by Te Rēhia Theatre Company. It ran over two nights (June 30, July 1) in the Herald and exceeded its budgeted target and was also very positively received by audiences and critics. The season succeeded in supporting emerging Maori artists and cemented an ongoing relationship with Te Rēhia Theatre Company</p> <p>Auckland Live facilitated the venue and technical support for Whetu Marama, a projection show featuring artwork from Ngāti Manuhiri artists Star, Aroha and Ra Gossage along with illustrations from their late storyteller father, Peter Gossage.</p> <p>Aotea Square had themed Matariki activities for children around the café and Ice Skating rink to complement the programming.</p>	<p>Celebration of Auckland's Māori identity as its point of difference in the world for its visitors.</p> <p>Understanding and recognition of Te Ao Māori.</p>
<p>Auckland Conventions refers internal conference organisers to Ngati Whatua o Orakei and Auckland Museum for the opportunity to include authentic Maori powhiri in conventions and event packages.</p> <p>The ANZ Viaduct Events Centre was the venue for this year's Tamaki Herenga Waka Festival which took place over Auckland Anniversary</p>	<p>Celebration of Auckland's Māori identity as its point of difference in the world for its visitors.</p> <p>RFA embracing the benefits arising from economic partnerships with Māori.</p>

INITIATIVE	CONTRIBUTION TO MĀORI OUTCOMES
weekend. This was a public event managed and funded by ATEED and supported by RFA with the venue provided free of charge.	
Ngati Whatua o Orakei, Tainui, and RFA have had initial meetings to explore opportunities to collaborate on initiatives to further Maori economic, cultural and social outcomes across the Auckland region.	Celebration of Auckland's Māori identity as its point of difference in the world for its visitors. RFA embracing the benefits arising from economic, social and cultural partnerships with Māori.
The IMSB and local Iwi are recognised as key stakeholders in RFA's Aotea Arts and Cultural Precinct and will be consulted as part of any overall development.	Celebration of Auckland's Māori identity as its point of difference in the world for its visitors.

LOCAL BOARD ENGAGEMENT

During this quarter RFA's manager, local board engagement, has continued to meet with boards across Auckland.

While for some local boards their focus is on local decision-making, others are more conscious that their community members provide rates funding for regional facilities, and use them in a range of ways. For example, Auckland Live has responded to queries regarding hire rates at Auckland Town Hall for community purposes.

Responses to queries have again included introducing boards to particular facilities where their community may benefit from a closer relationship. Waiheke Local Board is now working with Auckland Art Gallery and the NZ Maritime Museum, and Papakura Local Board has asked Auckland War Memorial Museum for more promotion that admission is free to Aucklanders.

Nine of the twelve RFA venues, as well as three venues for which RFA has regional responsibilities, are located within the Waitemata Local Board area. Regular engagement with the board ensures members are well informed of developments. In this quarter several meetings regarding the Western Springs precinct have been productive in moving this project forward towards an integrated plan for the area. The board chair and members regularly provide input regarding the venues. Recently this has included suggestions for the future use of Queens Wharf.

RISK MANAGEMENT

RFA's Enterprise Risk Management Framework sets out the principles and process for risk management. Quarterly risk workshops are undertaken with each of RFA's business units, recorded in RFA's risk database and reported through to the RFA Board and the Health, Safety and Risk Committee on a quarterly basis. Any risks assessed as high are required to have mitigations identified and these are reported to the Board.

RFA's Capital Projects Sub-Committee also provides the Board with appropriate oversight of projects considered high public interest or risk.

No major changes have been made in the last quarter to RFA's risk management, internal audit and external audit approaches. No new risks assessed as high have been identified since the last quarter. RFA has recently completed a strategic risk review with the RFA Board and Executive Leadership Team.

RFA management is currently addressing improvements identified in internal and external audit findings, and progress is reported to RFA's Audit Committee. The current audit issues do not impose any significant financial implications on the Auckland Council Group. Further, in accordance with the continuous disclosure requirement, there are no material items in this period that would require disclosure.