

Regional Facilities Auckland

*This outlines the key performance of
Regional Facilities Auckland for the Quarter ended 31 December 2018.*

Regional Facilities Auckland Q2 summary

Highlights & risks for the quarter

Highlights

- **Highlight 1:** Returning New Zealander Gregory Burke has been appointed Director of the Auckland Art Gallery in April. Burke was most recently CEO of the Remai Modern gallery in Saskatoon, Canada.
- **Highlight 2:** Auckland Live venues hosted multiple large-scale events, which included Taste Auckland at Queen's Wharf for the first time, attracting 15,000 ticketholders, along with Diwali Festival and Farmer's Santa Parade. Auckland Conventions and Events staged 96 events, including Cuisine Good Food Awards and the New Zealand Television Awards at The Civic.
- **Highlight 3:** Mt Smart Stadium hosted two major events: Taylor Swift's Bad Reputation tour and the Monster Energy SX Open. Taylor Swift's concert featured 140ft screens, huge props and a snake gondola, while days later the stadium was transformed with 6000 tonnes of dirt and 10,000 sqm of thick geo-tech cloth into a motocross track.

Risks

- **Risk 1:** The financial operational performance is currently **forecasted** at an unfavourable variance of approximately **\$1.5m** (or 1.5% of total expenditure). Focus remains on securing revenue opportunities and deferral or cutting non-essential variable costs.
- **Risk 2:** Conventions, Stadiums, and Auckland Live revenue remains cyclical and volatile.
- **Risk 3:** Business interruption caused by the capital works at the Aotea Centre and Auckland Zoo may continue to have a more significant negative impact on revenue generation than originally budgeted.
- **Risk 4:** The loss of the VEC as a conventions venue will hamper the ability to grow the conventions market.

Financial (\$million)	YTD actual	YTD budget	Actual vs Budget
Capital delivery	39.8	55.6	72%
Direct revenue	27.6	31.3	(3.7)
Direct expenditure	46.8	49.3	2.5
Net direct expenditure	19.2	18.0	(1.2)

Financial commentary

- **Capital delivery:** Two major projects (Aotea Centre and the Zoo's South East Asia precinct) are progressing well but will have revised cash flow with less spend in the FY19 than budgeted. These are contracted and expected to be completed in the beginning of the 2019/20 financial year.
- **Direct revenue:** Revenue is unfavourable to budget due to two large theatre events have been postponed and three outdoor concerts did not proceed as budgeted. This has also had a consequential flow on effect on other revenue.
- **Direct expenditure:** Overall direct expenditure is \$2.5m favourable to budget as costs are actively controlled to offset the unfavourable revenue.

Key performance indicators	Previous	FY 19 Quarter 2		Status	Commentary
	Quarter	Actual	Target		
The number of people who experience RFA's arts, environment and sports venues and events	869,700	816,606	914,373	Not met	The lease of the VEC to Team NZ during the quarter has negatively impacted the overall visitor numbers.
The net promoter score for Regional Facilities Auckland's audiences and participants	43	43	18	Met	Comment with mitigation/outlook
Percentage of operating costs funded through non-rates revenues	55%	59%	65%	Not met	Based on the forecast this is unlikely to be met. Continued focus on increasing the level of revenue and tight cost controls for the remainder of the financial year.
Number of programmes contributing to the visibility and presence of Maori in Auckland, Tamaki Makaurua	20	6	3	Met	Comment with mitigation/outlook

Strategic focus area – Stadia

Key highlights and risks

Highlights

- **Highlight 1:** QBE Stadium – capital works on reconfiguration of the main field to accommodate baseball and roof access construction and repair is in procurement planning phase for development to commence later in the financial year.
- **Highlight 2:** Mt Smart Stadium – capital works on the lower west stand seating replacement is on track for completion and the Athletics track refurbishment works have been completed within budget.
- **Highlight 3:** Western Springs gears up for the summer outdoor concerts Fat Freddy’s Drop, Mumford Sons, and Six 60. Major renewals work to continue after these concerts.

Risks

- **Risk 1:** Projects underway and current seismic and supporting structure assessments may uncover unidentified issues which may lead to additional costs and time delay.

Strategic context

RFA’s Venue Development Strategy (VDS) identifies the issues facing the current major outdoor stadiums in Auckland, and proposes key focus areas over the next 20 years to address these issues. These primarily provides more fit for purpose stadia which are better more financially sustainable, better utilised and provide improved value for money through less duplication.

Key programme of works	Status	Description	Commentary
QBE Baseball Reconfiguration	On track	Reconfiguration and construction to enable the hosting of the Auckland Tuatara’s home games for next season at QBE stadium	This project is currently in procurement phase with construction to commence in March and completed by October 2019.
Mt Smart Lower West Stand Seating Replacement	On track	The replacement of the seating area entirely, including seats, structure and decking on the lower west stand of Mt Smart Stadium.	This renewals project for Mt Smart Stadium is required to ensure health and safety and tenancy obligations continue to be met.
QBE Stadium Roof	On track	To construct access to the QBE Grandstand roof and undertake roof repairs (renewals)	Project is currently in procurement with construction to commence in this financial year.
Western Springs Renewal	On track	The replacement of two toilet blocks, gate entry building, maintenance shed, concourse and Stadium Road upgrade works.	Essential renewals currently in the procurement phase and expected to commence in March with completion due in November 2019.

Strategic focus area – Zoo development

Key highlights and risks	Strategic context
<p>Highlights</p> <ul style="list-style-type: none"> • Highlight 1: Renewal of the Old Elephant House to improve visitor amenities has been completed • Highlight 2: The development of a South East Asian Precinct is underway, and has completed its first year of construction <p>Risks</p> <ul style="list-style-type: none"> • Risk 1: The extent of the construction work may undermine the visitor experience and perception of value at the zoo whilst the project is underway. This has reduced visitation and associated revenues. A new pricing strategy has been implemented in an effort to increase the level of visitation. 	<p>RFA is continuing with development of a world class zoo and conservation facility by addressing aging infrastructure at Auckland Zoo and long-term under-investment through a phased programme of works. This has the aim of essential renewals ensure that the Auckland Zoo meets the modern standards of animal welfare, visitor amenity, wildlife exhibition and health and safety obligations.</p>

Key programme of works	Status	Description	Commentary
S. E. Asia Precinct development	On track	Redevelopment of the central area within the zoo to provide modern standards of housing and care for the Zoo's South East Asian species, and new catering facilities for zoo visitors	Largest renewals project (\$60m) in the zoo's history. Tracking to budget and expected to be completed in the 2019/20 financial year.

Strategic focus area – Aotea centre development

Key highlights and risks

Highlights

- **Highlight 1:** Refurbishment of the interior of the Aotea Centre due for completion in March 2019.
- **Highlight 2:** Refurbishment of the exterior of the Aotea Centre (weather-tightness) has commenced and will continue into the next financial year.
- **Highlight 3:** Development of an Aotea Precinct master plan has commenced
- **Highlight 4:** Installation of an outdoor screen, the “Digital Stage” on Aotea Square, to provide live and enhanced digital experience visitors to the Aotea Arts Precinct.

Risks

- **Risk 1:** Changing consenting requirements in relation to “Grenfell” is causing programme delays on the exterior for up to 6 to 9 months. This will result in additional costs due to extension of time claims and rework of plans in order to meet revised consenting requirements. Additional funding will be sought for the additional costs as part of the Annual Plan 2019/20 budget refresh process.
- **Risk 2:** Unfavourable revenue impact from delays to completion.
- **Risk 3:** Potential negative impact on the customer experience caused by on-going construction works.

Strategic context

With the refurbishment and further proposed development and expansion of the Aotea Centre, RFA aims to create a vibrant Aotea Arts Quarter. This will include a significantly upgraded and expanded Aotea Centre and integrated Aotea Square, providing a home for the development and presentation of performing arts in Auckland.

A proposal for the funding for the development and expansion of the Aotea Centre will be tabled to Council as part of future LTPs.

Key programme of works	Status	Description	Commentary
Aotea Refurbishment	Delayed	The first significant refurbishment of the 30 year old Centre, aiming to upgrade foyer and functions spaces and address long-standing weather-tightness issues	Compliance with Council’s evolving consent requirements around façade and weather-tightening works continues to cause delays to this project. Additional funding will be sought through the Council project risk fund or the Annual Plan 2019/20 budget refresh.
Aotea Square master plan	On track	A precinct planning approach to the development of the square and its surrounds to ensure the precinct meets its potential as a key lively and active space for Aucklanders	This project is progressing with input with a broad group of stakeholders and is intended to help guide future investment proposals.
Aotea Centre expansion	On track	Developing concept plans for expanding the current Aotea Centre to provide a home for performing arts organisations and fostering the work of performing arts groups	This project is in its early stages – it is envisaged that a funding proposal for the development will be sought in future LTPs.

Other letter of expectation focus areas

Arts & culture strategy

- Artist Ruth Buchanan was announced the winner of the biennial contemporary art award the Walters Prize 2018 at the Auckland Art Gallery.
- The Auckland Live Digital Stage launched in Aotea Square. Auckland's newest outdoor screen showcases stories and profiles of arts companies, artists, and new and existing works from New Zealand and around the world.
- The exhibition *Gordon Walters: New Vision* closed at Auckland Art Gallery and reached its exhibition audience target with nearly 45,000 visitors.
- A Day at Auckland Live – Auckland Live's school's free accessibility and learning programme wrapped for 2018 with *Let's Dance!* The programme was attended by more than 1500 school students.
- The exhibition *Carving Water, Painting Voice* opened at the Maritime Museum.
- The UNESCO Memory of the World New Zealand Trust announced the inscription of the Marti Friedlander Archive, held by Auckland Art Gallery's E H McCormick Research Library, to its documentary heritage register, which highlights significant documentary heritage from around the world.
- Auckland Live launched its seasonal music programme *Sounds of Summer* which saw more than 32,000 attendees enjoyed these activations in December alone.

Sustainability and Climate change

- NZ Maritime Museum received a Qualmark Gold Sustainable Tourism Business Award, recognising how the Museum has increased its commitment to delivering a holistically sustainable experience.
- Auckland Stadiums launched a new sustainability initiative for concerts in October. The reusable Globelet Cups help Auckland Stadiums greatly reduce the amount of plastic used at a concert and can be re-used for future events.
- A new sustainability themed family space has been installed at the Maritime Museum to communicate the importance of looking after our oceans and encourage responsible consumption and disposal of waste.
- Auckland Conventions has moved to ensure that all branded collateral is eco-friendly, with re-usable tote bags distributed at tradeshows and client meetings, along with a re-suable branded water bottle.
- In December, NZ Maritime Museum hosted the Northern NZ Seabirds Trust annual conference, *Across all Realms: Sea, Land and Air – Our Seabird Taonga*. The sold-out two-day event highlighted marine threats to seabirds including bycatch, plastics, climate change and light pollution and exemplified the Maritime Museum as a hub for the maritime community.

Contribution towards Maori outcomes

- As part of a wayfinding improvement review at the new Aotea Centre, bilingual signage for rooms and public places are being developed. These provide a more user-friendly experience for visitors, correlating to their position in the building and also reflecting the unique geographical setting of Tāmaki Makaurau.
- New Zealand Maritime Museum successfully trialled a waka programme for kura kaupapa Māori with a kura from Waikato. This programme is being developed in collaboration with Te Toki Voyaging Trust, as the kaitiaki of matauranga waka.
- The RFA Maori Responsiveness Plan was released in December 2018.
- Bi-cultural signage is being implemented at Auckland Stadium as part of its regular renewals programme.
- Management have meet with Tupuna o Tamaki Makaurau Trust, with whom ownership of the Rarotonga Mt Smart resides to develop and strengthen the formal relationship.

Local board engagement

- In October and November all local boards received the RFA quarterly newsletter, the annual publication 'Our Year' as well as both the 2017-18 fourth quarter report and the 2018- 19 first quarter report. While a number of local boards regularly include the reports in meeting agendas, it is pleasing that more boards are now doing so. This enables improved engagement between the boards and RFA.
- During the quarter there was a range of meetings with boards regarding various matters. The CEO and Director, Auckland Stadiums, visited Maungakiekie-Tamaki and Mangere-Otahuhu Local Boards to discuss sporting facilities, including clarification of the roles of RFA and Auckland Council. The Director, Auckland Stadiums, met twice with Upper Harbour Local Board to maintain effective communications regarding QBE Stadium, and also visited Waitemata Local Board regarding Western Springs Stadium. The CEO visited Devonport-Takapuna Local Board, and presented an update to the Local Board Chairs Forum.
- Some board members have requested and received more information about the ways RFA meets community needs, such as subsidised community rates, free activities, and in particular acknowledging the needs of young people.

Regional Facilities Auckland Q2 financials



Direct operating performance

\$(million)	FY 18	FY 19 Quarter 2			FY 19
	Actual	Actual	Budget	Variance	Budget
Net direct expenditure	35.8	19.2	18.0	(1.2)	36.0
Direct revenue	58.4	27.6	31.3	(3.7)	62.5
Fees & user charges	46.0	20.0	25.3	(5.3)	53.1
Operating grants and subsidies	1.7	0.7	0.4	0.3	0.8
Other direct revenue	10.7	6.9	5.6	1.3	8.6
Direct expenditure	94.2	46.8	49.3	2.5	98.5
Employee benefits	46.8	26.0	22.5	(3.5)	44.9
Grants, contributions & sponsorship	2.0	0.6	0.6	0.0	1.3
Other direct expenditure	45.4	20.2	26.2	6.0	52.3
Other key operating lines					
AC operating funding (CCO only)	27.5	18.3	17.8	0.5	35.6
Vested assets	0.0	0.0	0.0	0.0	0.0
Depreciation	27.4	15.3	16.4	1.1	32.8
Net interest expense	(0.6)	(0.3)	(0.2)	0.1	(0.4)



Financial Commentary

Comment 1: Budget phasing has been evenly phased/allocated 6/12 and does not take into account seasonal fluctuations.

Comment 2: The RFA Internal Budget reflects a \$720k favourable to budget variance as the budget has been phased to reflect seasonal event fluctuations.

Comment 3: Fees and user charges are unfavourable to budget due to planned events not occurring. Two large live theatre events have been postponed and two large outdoor concerts budgeted (but not secured) for the second half of the year will not proceed. This has also impact food and beverage sales.

Comment 4: Overall direct expenditure is \$2.5m favourable to budget. Reduced costs are in response to the lower revenue.

Comment 5: Employee Benefits contains \$4.8m staff costs that are recharged against events. These recharges are budgeted under Cost of Goods Sold (COGS) within other direct expenses. Actual Staff costs are favourable to budget.

Comment 6: Other direct expenses contains COGS which includes salary recharges of \$4.8m. The \$4.8m recovery should offset against employee benefits – RFA will continue to work with Auckland Council Officers to rectify this reporting issue going forward.

Comment 7: The forecasted operational position for the end of the year shows an unfavourable variance of approximately \$1.5m (or 1.5% of total expenditure). Focus remains on securing revenue opportunities and deferral or cutting non-essential variable costs to reduce this variance.

Regional Facilities Auckland Q2 performance measures

Key performance indicators	Previous Quarter	FY 19 Quarter 2		Status	Commentary
		Actual	Target		
The number of people who experience Regional Facilities Auckland's arts, environment and sports venues and events	869,700	816,606	914,373	Not met	VEC was leased to Team NZ during the quarter. This re-purpose of the facility has had a negative impact on the overall visitor numbers. It is unlikely this target will be met by year end.
Total number of visitors to Auckland Zoo	172,819	173,989	176,167	Not met	Construction has negatively impacted overall visitor numbers and revenue. The impact of this is being mitigated partly by a pricing review. It is likely this target will not be met by the end of the financial year.
Total number of visitors to Auckland Art Gallery	110,052	94,099	125,933	Not met	While visitor numbers are expected to increase over the summer months the year-end target will not be met due to a lower number of paid exhibitions and potentially also due to the introduction of the international visitor charge.
Total number of visitors to the NZ Maritime Museum	34,770	43,800	43,349	Met	Comment with mitigation/outlook
The net promoter score for Regional Facilities Auckland's audiences and participants	43	42	18	Met	Comment with mitigation/outlook
Percentage of operating costs funded through non-rates revenues	55%	59%	65%	Not met	The forecast shows that revenue targets will not be met this year resulting in a potential unfavourable variance of approximately \$1.5m by the end of this year. Focus remains on seeking additional revenue and reduction/deferral in variable costs to reduce this variance.
Percentage of Auckland residents surveyed who value RFA venues and events	66%	69%	Maintain or Improve	Met	Comment with mitigation/outlook
Number of programmes contributing to the visibility and presence of Maori in Auckland, Tamaki Makaurau	20	6	3	Met	Comment with mitigation/outlook