

Regional Facilities Auckland

Quarter 3 Performance Report

For the period ending 31 March 2019

*This report outlines the key performance of
Regional Facilities Auckland*

Regional Facilities Auckland Q3 summary

Highlights, issues & risks for the quarter

Highlights:

- RFA's summer stadium concert line-up boosted the Auckland economy with a visitor spend of \$20 million and a contribution to regional GDP of \$10 million.
- Disney's *Aladdin the Musical* ran for nine weeks at The Civic, with 70 performances drawing theatre-goers from around the country with spectacular sets and costumes, and talented cast.
- New Zealand Maritime Museum welcomed hundreds of Aucklanders on its heritage vessels as part of Auckland Anniversary weekend festivities at the waterfront.

Issues/Risks:

- The financial operational performance is currently forecasted at an unfavourable variance of approximately \$250k. Focus remains on securing revenue opportunities and deferral or cutting non-essential variable costs. The \$250k variance relates to the accelerated visitor security programme.
- Conventions, Stadiums, and Auckland Live revenue remains cyclical and volatile.
- Business interruption caused by the capital works at the Aotea Centre and Auckland Zoo is having a significant negative impact on revenue generation.
- The loss of the VEC as a conventions venue will hamper RFA's ability to grow the conventions market.

Financials (\$m)	YTD actual	YTD budget	Actual vs Budget
Capital delivery	70.5	89.0	(18.5)
Direct revenue	41.3	46.9	↓ (5.6)
Direct expenditure	68.2	73.9	↓ 5.7
Net direct expenditure	26.9	27.0	↓ 0.1

Financial Commentary

Capital delivery: The RFA capital programme for FY19 consists of 247 projects, with a forecast 86% delivery by year end. The delivery lag is primarily driven by changes in phasing of the two major projects – the Aotea Centre refurbishment and the South East Asia Precinct which, collectively, are budgeted at \$113m over several years.

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 \$5.7m favourable to budget as costs are actively controlled to offset the unfavourable revenue.

Key performance indicators

(Refer to pg. 8 for complete list)

	Previous	FY 19 Quarter 3 YTD		Status	Commentary
	Quarter	Actual	Target		
The number of people who experience RFA's arts, environment and sports venues and events	1,686,306	2,423,215	2,585,627	Not met	The lease of the VEC to Team NZ during the second quarter has negatively impacted the overall visitor numbers. It is unlikely this target will be met by year end.
The net promoter score for Regional Facilities Auckland's audiences and participants	43	45	18	Met	
Percentage of operating costs funded through non-rates revenues	59%	61%	65%	Not met	The forecast shows that revenue targets will not be met this year, however tight control over expenditure means that the expected forecast for the financial year end is that RFA will be unfavourable to budget by only \$250k due to the acceleration of the visitor security programme.
Number of programmes contributing to the visibility and presence of Māori in Auckland, Tamaki Makaurua	26	47	10	Met	

Strategic focus area – Stadia

Key commentary

For the nine months to 31 March 2019, a total of \$4.7m was spent towards stadia against a budget of \$17.9m, with a forecast year end spend of \$15m.

Highlights

1. North Harbour Stadium: reconfiguration of the main field to accommodate baseball has been agreed with stakeholders and design is underway. Works are anticipated to be completed by November 2019. Seismic assessments of the main stand will be concluded shortly and will inform the design of the roof replacement. Detailed design will be completed this financial year.
2. Mt Smart Stadium: works on the lower west stand and the south stand will be completed this financial year.
3. Western Springs: detailed designs will be received by 15 April for the four building renewals, with works projected to be completed by November 2019. In consultation with users, the entry road renewal has been delayed until the end of August, following the conclusion of the rugby season. The building locations and designs have been future proofed to accommodate various alternative future uses of the venue.

Issues/Risks

1. Seismic assessments are currently being undertaken across our stadiums. The outcomes of these assessments will need to be taken account of in the context of future asset management strategies.

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. These primarily provide more fit for purpose stadia which are more financially sustainable, better utilised and provide improved value for money through less duplication.

Key programme of works	Status	Description	Outlook
Nth Harbour QBE Stadium – 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 November 2019.
Mt Smart Stadium – seating replacement in the lower west stand	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.
Nth Harbour Stadium – main stand roof renewal	Delayed	To construct access to the grandstand roof and undertake roof repairs (renewals)	Awaiting the outcome of seismic assessments.
Western Springs Stadium renewals	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 – Auckland Zoo development

Key commentary

For the nine months to 31 March 2019, a total of \$20.0m was spent towards zoo development against a budget of \$40.3m.

Highlights

1. Renewal of the Old Elephant House as a restaurant and functions venue to improve visitor amenities has been completed
2. Construction of the South East Asian Precinct and new café is well underway.
3. The new Zoo administration wing has been completed, increasing capacity to accommodate staff and providing permanent location for previously isolated staff. Planning for the Stage 2 renovation of the old administration wing has also begun.
4. A significant programme of general renewals and infrastructure upgrades is progressing well.

Issues/Risks

1. The extent of the construction work currently underway at the Zoo (the South East Asia project is currently impacting on more than 20% of the site) is impacting on the visitor experience and perception of value at the zoo. A range of mitigation strategies are in place, the most significant of which is the implementation of an adjusted pricing strategy, reducing the cost of entry by as much as 30%. Visitation numbers are being maintained as a result, although revenues are necessarily impacted.
2. A significant portion of general renewals is planned following the Easter school holidays to avoid visitor impact. This increases the risk of delays due to weather.

Strategic context

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 to ensure Auckland Zoo meets the modern standards of animal welfare, visitor amenity, wildlife exhibition and health and safety obligations.

Key programme of works

Key programme of works	Status	Description	Outlook
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	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 commentary

For the nine months to 31 March 2019, a total of \$24.3m was spent towards the Aotea Centre development against a budget of \$52.8m. This project remains substantially challenged by delays associated with the need for comprehensive re-design to meet new standards.

Highlights

1. Refurbishment of the interior of the Aotea Centre was sufficiently completed in March 2019 to enable successful hosting of the Auckland Arts Festival.
2. The outdoor “Digital Stage” screen in Aotea Square continues to provide free live and enhanced digital experience for visitors to the Aotea Arts Quarter, playing a significant role during the Auckland Arts Festival.
3. Work on developing a precinct master plan for Aotea Square is well advanced and on track to be presented to the Board mid-2019.

Issues/Risks

1. Changing consenting requirements in relation to the tragic events at Grenfell Tower and Nautilus Orewa have caused significant delays with progressing the façade and external weather-tightness work on the centre. This has resulted in redundant work, the need to re-establish the project design team, and conduct a comprehensive re-design of the building’s cladding and weather protection systems. Some portions of work remain in design. An additional \$14m in additional costs are estimated as a result, and additional funding will be sought as part of the Annual Plan 2019/20 budget process.
2. Delays to completion of the project will reduce revenue potential from the centre for a longer period than previously anticipated. Significant distraction for Aotea and project teams through need to micro-plan access to conclude unfinished portions of work.
3. There will be some negative impact on the customer experience caused by ongoing construction works until completion.

Strategic context

The refurbishment and further proposed development and expansion of the Aotea Centre are aimed at creating a vibrant cultural and civic centre for Auckland focussed on the Aotea Square precinct, and as part of a wider 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.

Key programme of works	Status	Description	Outlook
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	NZ’s growing understanding of the safety implications of building façades and cladding standards has required substantial changes to this project mid-programme. There are significant additional costs associated with these changes and further funding will be sought through the annual plan process.
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 from 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 to foster the work of performing arts groups	This project is in its early stages – the concept, funding and potential timing of this proposed development will be discussed with Council in 2020.

Other Statement of Intent focus areas

Arts & Culture Strategy

- *Pacific Sisters: He Toa Tāera | Fashion Activists* opened at Auckland Art Gallery in February. The exhibition, which plays homage to a collective of Pacific and Māori designers, artists and performers that electrified 1990s Auckland, has been extended with an interactive art installation, *DiscoVERY*, by Rosanna Raymond and Ani O’Neill.
- *Guerilla Girls: Reinventing the ‘F’ word – Feminism!* opened in March. The anonymous collective’s humorous and provocative work has challenged discrimination in the art world, politics, film and music for three decades.
- The first boat built by Sir Peter Blake more than 50 years ago, *Bandit*, has been restored and put on display at the New Zealand Maritime Museum. A new sustainability-themed space for families was opened, with interactive activities encouraging children to contribute ideas on caring for our oceans.
- Auckland Live produced additional NZ Sign Language-interpreted and Audio described performances for Disney’s *Aladdin the Musical*, with positive feedback from hearing and visually-impaired theatre-goers.
- Auckland Zoo announced a partnership with Mazda Foundation for its Outreach Conservation Education programme.

Sustainability and Climate change

- Since the 3rd of January 2019 Auckland Live have been using Globelet reusable wine glasses. Their use for the *Aladdin* season prevented over 13,500 disposable cups from going to landfill. Globelet cups were also trialled at four of Auckland Stadium’s major events over the 2018-2019 summer season.
- A project has been initiated to progressively replace the Art Gallery’s 300 Watt halogen external up-lights with 30 Watt LED replacements, resulting in a 10-fold improvement in energy efficiency. 26 of these will be replaced starting in April.
- The New Zealand Maritime Museum hosted a Seaweed breakfast talk in March with Heni Unwin in partnership with Sustainable Seas National Science and Cawthron Institute. The scientist talk was on the development of a new digital tool to track how ocean currents transport plastics.
- The zoo’s water savings have been reported as 42300 m3 (\$169k) since April 2017 due to improved metering and real time leak notification allowing for immediate leak repair,.
- 0% of the zoo’s recycling was rejected (sent to landfill) due to contamination this quarter, following a new initiative to hand sort all recycling.
- Rainwater harvesting tanks installed in the zoo’s South East Asia Precinct brings the zoo’s total rainwater collection capacity from quarter of a million to half a million litres of water annually.

Contribution towards Māori Outcomes

Te Reo Māori:

- All business units which have direct customers service responsibilities have implemented te reo Māori, waiata and tikanga Māori staff training opportunities.
- Aotea Centre upgrade includes te reo Māori signage in its tri-lingual wayfinding plans.

Identity and Culture

- Internationally renowned artist Lisa Reihana has been commissioned to create a unique world class Māori digital media work for Aotea Centre.

Effective Māori Participation

- Relationships and engagement with iwi, Māori specialists are continuing to be developed and strengthened.
- Auckland Stadiums has met with Te Puna Trust (owners of Raratonga/Mt Smart Land). Arrangements have been made with the Trust to provide access to meeting rooms within the Stadium.
- New Zealand Maritime Museum- Hui Te Ananui ā Tangaroa has a Memorandum of Understanding with Te Toki Voyaging Trust.
- Auckland Live and Conventions staff organised and supported 75 members of the cast and crew from *Aladdin-The Musical* to participate in a formal powhiri at Orākei Marae by Ngāti Whātua Ōrākei.

Local Board Engagement

- In February, the annual function for local boards, hosted by the chair of RFA, was attended by approximately 50 guests as well as RFA board members and senior management. Guests enjoyed informal tours of the New Zealand Maritime Museum and the opportunity to talk with people from RFA, advisory panels and other local boards across the city. Fourteen local boards were represented.
- The RFA Directors of Stadiums and Stadiums Strategy met with Waitemata Local Board, Maungakiekie-Tamaki Local Board and Upper Harbour Local Board to discuss the stadiums within the board areas and the Auckland Stadiums Venue Development Strategy.
- The Deputy Director, Auckland Live, presented an update of activities and developments to the Waitemata Local Board, and is working with the board around developments in Aotea Square, such as the Digital Stage, and citizenship ceremonies at the Auckland Town Hall.
- By the end of the quarter, six boards had placed the second quarter report on meeting agendas, while others are yet to do so or are distributing the report to members for reading.

Regional Facilities Auckland Q3 financials



Direct operating performance

\$(million)	Notes	FY 18	FY 19 Quarter 3 YTD			FY 19
		Actual	Actual	Budget	Variance	Budget
Net direct expenditure	A	35.8	26.9	27.0	0.1	36.0
Direct revenue		58.4	41.3	46.9	(5.6)	62.5
Fees & user charges	B	46.0	30.0	37.9	(7.8)	53.1
Operating grants and subsidies		1.7	0.9	0.6	0.3	0.8
Other direct revenue		10.7	10.3	8.4	1.9	8.6
Direct expenditure		94.2	68.2	73.9	5.7	98.5
Employee benefits	C	46.8	38.5	33.7	(4.8)	44.9
Grants, contributions & sponsorship		2.0	1.0	1.0	-	1.3
Other direct expenditure	D	45.4	28.7	39.3	10.6	52.3
Other key operating lines						
AC operating funding		27.5	27.4	26.7	0.7	35.6
AC capital funding		44.5	64.6	86.1	(21.6)	120.6
Vested assets		-	-	-	-	-
Depreciation		27.4	24.7	24.6	(0.1)	32.8
Net interest expense		(0.6)	(0.4)	(0.3)	0.1	(0.4)



Financial Commentary

A: The RFA performance for the nine months to 31 March 2019 is tracking to budget. This has been achieved through tight control over expenditure by all the RFA divisions. The forecast for the financial year end is unfavourable to budget by \$250k due to the acceleration of the visitor security programme.

B: 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 this quarter did not proceed. This has also impacted food and beverage sales.

C: Employee Benefits contains \$7.5m 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

D: Other direct expenses contains COGS which includes salary recharges of \$7.5m. The \$7.5m recovery should offset against employee benefits – RFA will continue to work with Auckland Council officers to rectify this reporting issue going forward.

Regional Facilities Auckland Q3 performance measures

Key performance indicators	Previous Quarter	FY 19 Quarter 3		Status	Commentary
	YTD	YTD Actual	YTD Target		
Note: RFA has a total of 4 LTP measures and 8 SOI measures For the nine months to 31 March 2019, all of the measures have been measured against a quarterly target. 5 have been met / 3 have not been met					
The number of people who experience Regional Facilities Auckland's arts, environment and sports venues and events	1,686,306	2,423,215	2,585,627	Not met	The Viaduct Events Centre was leased to Team NZ during the second 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	346,806	551,427	503,833	Met	
Total number of visitors to Auckland Art Gallery	204,151	304,651	374,067	Not met	International visitor numbers did not achieve the targets set for the summer months and it is forecast that 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	78,570	124,285	121,651	Met	
The net promoter score for Regional Facilities Auckland's audiences and participants	43	45	18	Met	
Percentage of operating costs funded through non-rates revenues	59%	61%	65%	Not met	The forecast shows that revenue targets will not be met this year, however tight control over expenditure means that the expected forecast for the financial year end is that RFA will be unfavourable to budget by only \$250k due to the acceleration of the visitor security programme.
Percentage of Auckland residents surveyed who value RFA venues and events	69%	70%	70%	Met	
Number of programmes contributing to the visibility and presence of Maori in Auckland, Tamaki Makaurau	26	47	10	Met	