

Third Quarter Report 2017-18

FOR THE QUARTER ENDED 31 MARCH 2018



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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 third quarter programme continued the delivery of 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 third quarter included:

- Yayoi Kusama's *The obliteration room* far exceeded expectations. Since opening in December to closing at Easter weekend, 150,000 Gallery visitors placed over three million stickers in the room.
- Julian Rosefeldt's *Manifesto* opened at Auckland Art Gallery in February. Starring Australian actress Cate Blanchett, the immersive 13-channel film installation is presented in collaboration with the Auckland Arts Festival.
- Foo Fighters and Weezer played a one-off New Zealand concert in February and Ed Sheeran performed three concerts in March.
- Auckland City Limits was held at Western Springs in March, welcoming 15,000 music lovers for an unforgettable day.
- The VOLVO Ocean Race used the ANZ Viaduct Events Centre as headquarters for 31 days during the Race Stopover, with 550,000 people passing through the venue.
- During Auckland Anniversary weekend, the Tamaki Herenga Waka Festival was held at the ANZ Viaduct Events Centre for the second year running. More than 30,000 visitors enjoyed this showcase of Māori heritage and culture of Tāmaki Makaurau.
- The Art of Banksy exhibition at Aotea Centre was phenomenally successful with over 46,000 tickets sold.
- In early 2018 work began on two key renewals projects, the Auckland Zoo's exciting new \$50 million South-East Asia precinct that will entirely transform one-fifth of its public space, and the \$42 million refurbishment of the Aotea Centre.
- Integration of New Zealand Maritime Museum into RFA's governance;
- Bug Lab opened at the Zoo in December with an eight month exhibition period.

RFA finished the third quarter with an unfavourable net operational result of \$3.4m against budget. The operational result excludes non-cash revenue and expenditure items.

This was largely due to challenging, external revenue targets not being met by \$7.7m. The main areas are lower than expected revenue from corporate sponsorships and donations due

to a softening philanthropic environment, adverse weather conditions affecting Zoo visitation, less favourable commercial terms from our catering suppliers, cancellation of major musicals and concerts, lower than budgeted net revenue from the introduction of the international visitor charge at Auckland Art Gallery, and lower attendance numbers at some key events.

To offset the impact of this, tight cost control has been applied saving \$4.3m in staff costs, essential non committed costs (such as marketing, ICT costs and staff training), and costs which will not result in significant service level reductions. However, due to the large portion of fixed costs and/or costs committed in the prior years, this has not at a level to offset the revenue loss.

YEAR END FORECAST

RFA's operational costs are met primarily through external revenue with the balance from Auckland Council's operational funding. For the 2017/18 financial year, operational costs were budgeted to be met 28% from Council and 72% from external revenue.

With the lower than expected revenue, offset in part by tighter cost control, the year-end forecasted operational position is expected to be approximately \$4.9m unfavourable to budget.

While this result is disappointing, it reflects RFA's operational environment where the most significant risk to achieving budgets was achieving revenue assumptions where external revenue is subject to a high degree of volatility and are cyclical in nature.

At the Governing Body workshop in June 2017, the RFA Board outlined the potential impacts on the core operations and increased external revenue risks which may arise from an additional \$1m in funding reduction to RFA for the 2017/18 financial year.

The key points of note were:

- The additional \$1m reduction brought the total requests to \$7.9m per annum ongoing and totalling \$45m since 2012;
- In order to balance budgets and meet Auckland Council's expectation of no service level changes, external revenue targets were increased by 21% on 2016/17 and were budgeted to meet 72% of RFA's operational costs;
- Council was requested to support additional funding requests to put RFA into a more financially sustainable basis as part of the LTP 2018-28 deliberations; and
- Council should consider a different funding model to reflect RFA's unique operational environment. RFA looks forward to the opportunity to discuss the merits of this further with Auckland Council.

STRATEGIC THEMES AND FOCUS AREAS



RFA has four 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 and client journey. Positive trends in Net Promoter Scores across RFA venues indicates improvement in RFA customer experiences continue.

OPTIMISE SECTOR NETWORKS

Identifying and leveraging 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 and for ratepayers. A key initiative in this respect during the current year has been the transfer of the New Zealand Maritime Museum under RFA's governance in March. The full operational integration of Museum operations is now underway to achieve the economies of scale resulting from being part of RFA, and realise organisational synergies possible from a closer operational association with other RFA businesses.

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, implementing our Venue Development Strategy and the Aotea Arts Quarter, 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.

Significant renewals projects at Auckland Zoo and Aotea Centre have commenced to meet compliance obligations, improve functionality, and meet increasing customer expectations.

IMPROVE ORGANISATIONAL SUSTAINABILITY

Key to RFA's long term financial health and sustainability is a funding and operating model sufficient to support delivery of RFA's strategic priorities. To this end, RFA has been engaging with Council's Long Term Plan process to identify levels of funding appropriate to enable good stewardship of RFA's assets and to resource the operations of RFA venues and programmes sufficiently for RFA to meet its responsibilities in delivering public good outcomes and value for money for Auckland. A particular focus is funding for Auckland Art Gallery, health and safety, security and venue maintenance.

HIGHLIGHTS FOR THE LAST QUARTER

AUCKLAND ART GALLERY TOI O TĀMAKI

Julian Rosefeldt's *Manifesto* opened at Auckland Art Gallery in February. Starring Australian actress Cate Blanchett, the immersive 13-channel film installation is presented in collaboration with the Auckland Arts Festival.

Offering fresh insights into the Gallery's remarkable international collection, *Other People Think: Auckland's Contemporary International Collection* launched on 10 March with a free late-night event, OPT IN, featuring live entertainment and artist talks.

The Gallery announced this year's nominees for the Walters Prize on 21 March, the most esteemed award in New Zealand visual arts. They are Ruth Buchanan, Jacqueline Fraser, Jess Johnson with Simon Ward, and Pati Solomona Tyrell.

As part of MOTAT's Pāsifika Vibes on 24 March, the Gallery held an outreach community art activation stall. Showcasing Pacific artwork and live screen-printing, it engaged over 1,100 visitors.

Yayoi Kusama's *The obliteration room* far exceeded expectations. Since opening in December to closing at Easter weekend, 150,000 Gallery visitors placed over three million stickers in the room.

For the second year in a row, a Gallery publication made it to the Ockham New Zealand Book Awards shortlist. *Gordon Walters: New Vision* is one of four finalists in the stiffly-contested non-fiction category. Winners will be announced in May as part of the Auckland Writers Festival.

Since 22 January, Auckland Art Gallery has charged international visitors a \$20 entry fee (\$17 for international students). Children under 12, NZ residents and Gallery members all enter free of charge.

AUCKLAND CONVENTIONS

Auckland Conventions staged 94 events across all RFA venues during the third quarter. The highest number of events were staged at the QBE Stadium and Function Centre, followed closely by the ANZ Viaduct Events Centre.

The VOLVO Ocean Race used the ANZ Viaduct Events Centre as headquarters for 31 days during the Race Stopover, with 550,000 people passing through the venue.

During Auckland Anniversary weekend, the Tamaki Herenga Waka Festival was held at the ANZ Viaduct Events Centre for the second year running. More than 30,000 visitors enjoyed this showcase of Māori heritage and culture of Tāmaki Makaurau.

On the international front, seven conventions and one international dinner were hosted across Aotea Centre and the ANZ Viaduct Events Centre. A highlight was the WCGALP (World Conference on Genetics Applied to Livestock) Conference, organised through Massey University. This event engaged 5,000 delegates over four days.

AUCKLAND LIVE

The year opened with the phenomenally successful *The Art of Banksy* exhibition at Aotea Centre, with over 46,000 tickets sold. Open every day for a month, late nights were added to cope with demand.

Auckland Live Summer in the Square programming included the Latin Fiesta, the Classical Weekend and Folk Week. The programme attracted more than 27,500 people keen to soak up the sunshine and hero events. Despite rain over the Classical Weekend, the Town Hall Organ Tours drew bigger than expected crowds. Inside, performances by NZ Opera and the Royal New Zealand Navy Band (their first collaboration) received rapturous, standing ovations.

At The Civic, sold-out sessions of Grand Opening gave audiences a unique and entertaining glimpse into the inner workings of the venue. This whet appetites for Auckland Live's Civic Tours, which show no sign of losing popularity.

Auckland Arts Festival attracted thousands to The Civic, Bruce Mason Centre, Aotea Centre and Auckland Town Hall. Inspiring experiences ranged from virtual reality prehistoric creatures to German music wunderkind Max Richter, to the English National Ballet. The iHeartRadio

Festival Club transformed Box Café and Bar and the foyer of the Aotea Centre into a 70s-themed cocktail lounge with bespoke dining and live music.

Auckland Live Kids (the 2018 children's and family programme) was announced, lining up some of the best New Zealand and South Pacific theatre, music and dance experiences for children. It is hosted in collaboration with Auckland Philharmonia Orchestra, Australia's award-winning Windmill Theatre Company and the Sydney Opera House.

AUCKLAND STADIUMS

Foo Fighters and Weezer played a one-off New Zealand concert in February as part of their Asia-Pacific Tour, attracting a crowd of over 35,000 at Mt Smart Stadium. The event had a particularly strong food and beverage outcome for RFA due to the strong double billing.

Auckland City Limits was held at Western Springs in March, welcoming 15,000 music lovers for an unforgettable day. Fans were able to enjoy major international stars from an array of genres including Beck, Grace Jones, Justice and The Libertines. The festival received wide-reaching positive feedback from fans and both national and international press after a superb job from the Auckland Stadiums events team.

Up at QBE Stadium in March, more than 6,000 runners celebrated health and happiness with The Colour Run – the world's most colourful event. The stadium also saw The Phoenix squaring off against the Newcastle Jets in the Hyundai A-League on 17 March, hosting over 5,000 football fans. On the same day, the Warriors celebrated St Patricks Day with a 20-8 victory against Gold Coast Titans at Mt Smart Stadium in front of more than 14,000 delighted fans.

Mt Smart Stadium ended another record-breaking concert season with the country's most attended concert series in history. Ed Sheeran sold out the stadium for three consecutive nights, selling over 134,000 tickets. 'Sheerios' travelled from across New Zealand to be there, and the shows generated extensive media coverage and goodwill. The performances saw Mt Smart Stadium break a New Zealand record for the highest concert attendance, surpassing its own record from last year's Adele concerts. Further cementing Auckland's reputation as New Zealand's entertainment capital, RFA's summer concert and festival series boosted Auckland's economy by a visitor spend of more than \$29m.

AUCKLAND ZOO

In early 2018 work began on Auckland Zoo's exciting new \$50 million precinct that will entirely transform one-fifth of its public space. Phase three of an extensive 10-year redevelopment programme, the new South-East Asia development is the largest ever undertaken by the Zoo. Visitors will be immersed in the sights, sounds and smells of a tropical Sumatran rainforest – one of the most biodiverse places on Earth, and learn about the impacts deforestation is having on wildlife and what they can do to help. In South-East Asia this includes Sumatran tigers, orangutans, siamang gibbons and small-clawed otters – all species that will feature in the development. Work on the new Administration Building extension also commenced in Quarter

one. The new extension will reduce the number of staff working in isolation and facilitate a more collaborative workforce

In a New Zealand first, Auckland Zoo successfully hatched a Galápagos tortoise. It is only the second zoo in Australasia to breed these amazing animals, which can live for over two centuries. Pinta will grow to over 250kg, and it is hoped many generations of Aucklanders will be inspired by her to care for the world around them.

The Zoo had the best year in over a decade breeding threatened New Zealand native bird species (kiwi, whio, pateke and orange-fronted parakeet) for release to safe areas in the wild – a total of 58 individual birds.

Wild weather in February, saw the Department of Conservation rescue the last remaining Chesterfield skinks from their West Coast habitat before it was destroyed by storms. Auckland Zoo has been able to provide a temporary home and care for one of the world's rarest reptiles, and work will continue with DoC to develop a restoration plan for the species in the coming months.

The Zoo's annual pass membership has almost doubled due to a successful customer loyalty partnership with Vodafone, with around 20,000 new members.

In an innovative partnership, Auckland Zoo, Compass Group and Eat My Lunch have come together to help ensure no Kiwi child goes to school hungry. Since March, visitors to the Zoo's cafes have been able to buy an Eat My Lunch meal and also give a lunch to a child that went to school without one. Eat My Lunch has to date given over 700k lunches to Kiwi kids and the Zoo is now encouraging its 700k annual visitors to help add to this.

NEW ZEALAND MARITIME MUSEUM HUI TE ANANUI A TANGAROA

Jae Kang's *Knot Touch* exhibition opened at the Museum in October 2017 and has been engaging visitors throughout the summer. This free family-friendly installation invites people to touch and physically explore the art, with easy access for differently-abled visitors.

In collaboration with Connect the Dots, the Museum hosted children from BLEENZ (Blind and Low Vision Education Network NZ), the National Health Board, and elderly adults living with dementia. The groups also participated in tailored workshops with the artist.

During the Auckland Anniversary weekend celebration, the Maritime Museum ran free family activities at a range of waterfront sites including Eastern Viaduct and Ports of Auckland's SeePort. Special sailings allowed Aucklanders onto the water to see the regatta races on Anniversary Day.

The Museum's Lifelong Learning Team ran an education programme to 'turn the tide on plastics' during the Volvo Ocean Race Auckland Stopover in February and March. Over that period, 1000 students came through the programme.

Under the newly formed umbrella of Museums of Auckland (MoA), the Museum partnered with MOTAT, Auckland Museum and Auckland Art Gallery for Pasifika Vibes at MOTAT. Free family programming highlighted Pacific canoes alongside the Pasifika Festival.

For the Royal NZ Navy's Open Day in March, the Museum's Collections and working vessel Ted Ashby offered free sailings around the Devonport Naval Base. Commentary was provided by Navy personnel, and 300 passengers were accommodated over 10 trips.

FUTURE OUTLOOK

Auckland Art Gallery has partnered with Dunedin Public Art Gallery to present *Gordon Walters: New Vision*, an exhibition of more than 150 artworks by Gordon Walters that will open in July. The unprecedented exhibition will examine the breadth of more than fifty years of practice. In August, the Gallery will open *The Walters Prize 2018* exhibition, presenting the very best of New Zealand contemporary art, as selected by an independent jury of arts professionals.

Auckland Conventions will host NZ Fashion Week at the ANZ Viaduct Events Centre in August, ahead of the venue becoming the Emirates Team New Zealand base in the lead up to the 36th America's Cup in 2021. Two major international conventions are also confirmed for later in the year at the ANZ Viaduct Events Centre and Aotea Centre.

Auckland Live has several large events on the calendar for the remainder of 2018, including the extremely popular Auckland Writers Festival in May, the NZ International Film Festival in July, the international multi-award-winning musical *Chicago* at The Civic for a three-week season in August, and Taste of Auckland to be held at Queen's Wharf in November. Another major musical to rival *Matilda* in popularity is also on the cards. This will be announced in May and run for eight weeks from January 2019. Across our stadiums, sporting fixtures will be a highlight for the final quarter, including the Warriors playing at Mt Smart Stadium through a busy NRL home draw. In November, 10-time Grammy winner Taylor Swift will play at the stadium to an anticipated sell-out crowd ahead of what promises to be another huge summer concert season across RFA's stadium venues.

The RFA Board approved funding to proceed with the detailed design for the development of the Aotea Studios, a major expansion of the Aotea Centre. There is currently \$30m of funds allocated for this project, upon completion of the detailed design, a budget request will be made through the Annual Plan for the balance.

Once completed, this innovative expansion will house New Zealand's first fully resourced dedicated home for performing arts development and firmly cement the Aotea Centre as the country's primary creative hub.

KEY DELIVERABLES

PRIORITY	DELIVERABLE	STATUS	PROGRESS
OPTIMISE SECTOR NETWORKS	<p>CULTURAL HERITAGE REVIEW</p> <p>RFA will continue to work with Auckland Council and other cultural heritage sector stakeholders (including MOTAT, Stardome Observatory and Planetarium and Auckland War Memorial Museum) to drive greater transparency and value for money for ratepayers.</p>	Ongoing	<p>The review is led by Auckland Council with RFA participation.</p> <p>RFA management continues to assist Auckland Council and engage with the major museums in relation to the review as required.</p>
	<p>COLLABORATION ACROSS THE COUNCIL GROUP</p> <p>RFA works with Auckland Council and other CCOs to develop and deliver significant events for the region and where possible reduce ratepayer funded events and venues competing with each other.</p>	Ongoing	<p>RFA continues to work closely with the Auckland Council Group. The following are key initiatives occurred this quarter:</p> <ul style="list-style-type: none"> RFA continues to work 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. Collaboration with Council and Panuku on the impact on the operations of the ANZ Viaduct Events Centre as this now becomes the home of Team NZ. Integration of NZ Maritime Museum into RFA to seek operational efficiencies through economies of scale and ensure value for money for the ratepayer.
	<p>LOCAL PLACE MAKING AND URBAN REGENERATION</p> <p>RFA's purpose is to advance the social and cultural wellbeing of Aucklanders. We do this by engaging people in the arts, environment, sports and events.</p> <p>Our transformational projects will ensure our venues, facilities and programmes are attractive locations and precincts with high amenity value for our communities.</p>	Ongoing	<p>RFA continues to work collaboratively across the Council group including with Panuku and Auckland Transport. For example, the Civic Administration Building development and shared place making activities on Queen's Wharf.</p>

PRIORITY	DELIVERABLE	STATUS	PROGRESS
	RFA works with Panuku Development Auckland in the Transform and Unlock areas, including Takapuna, Manukau and the central city.		
INVEST IN OUR VENUES AND SERVICES	AUCKLAND STADIUMS Strategic investment in Auckland Stadiums (Western Springs, QBE Stadiums and Mt Smart Stadium) by exploring opportunities to increase utilisation and financial sustainability.	Ongoing	<p>Essential renewals are currently being carried out across all three Stadiums in accordance with approved Asset Management Plans from 2015-25. These plans have now been updated to reflect the improved information of asset conditions and health and safety requirements.</p> <p>Further investment is required into existing facilities to address legacy under investment and to meet the increasing requirements of tenants and event hirers. These requirements have been tabled as part of the LTP 2018-28 for Council to consider.</p>
	AOTEA CENTRE Renewal of the exterior and interior of the Aotea Centre commencing in February 2018 to February 2019 to address weather tightness issues and improve patron experience.	Ongoing	<p>The main contractor has been appointed and physical works commenced as planned in February 2018 and will be completed by February 2019. The Aotea Centre will be closed to the public from October 2018 to February 2019.</p> <p>The works will address weather tightness issues, bring internal and external facilities up to current compliance standards, and improve the customer experience.</p> <p>As part of the LTP 2018-28, RFA has requested that works planned for the Aotea Centre in 2020 are brought forward to take advantage of the Aotea Centre closure period to minimise business disruption.</p>

PRIORITY	DELIVERABLE	STATUS	PROGRESS
	<p>AUCKLAND ZOO</p> <p>Invest in Auckland Zoo's aging infrastructure to cater for increasing international standards of animal care, health and safety and improved visitor experiences.</p>	Ongoing	<p>The construction site is now established and the two-year programme of work for the South- East Asia precinct has commenced.</p> <p>This project significantly upgrades facilities for a range of species including orangutans and tigers, and improves the underlying utilities infrastructure.</p> <p>A range of initiatives are currently underway (or planned) to minimise business disruption and potential financial loss.</p>
ENHANCE CUSTOMER EXPERIENCES	<p>ENRICHED AND ENHANCED CUSTOMER EXPERIENCES</p> <p>RFA will deliver enhanced and enriched customer experiences of our collections, events and services.</p> <p>ONLINE TRANSACTIONS AND SERVICES</p> <p>RFA will make it easy for customers and clients to engage with us by investing in online services that digitise transactions, services and processes.</p>	Ongoing	<p>RFA has a comprehensive strategy to improve customer experiences across all our businesses, encompassing redeveloped websites, customer insights programmes to drive improvements and engagement, enhancements to an existing business-to-business portal and other online services.</p>
IMPROVE ORGANISATIONAL SUSTAINABILITY	<p>SECURE SUSTAINABLE FUNDING</p> <p>We will be seeking the opportunity to "make whole" our operational funding level as part of the Long Term Plan process for 2018-2028 to enable a more financially sustainable business model.</p>	Ongoing	<p>The 10-year budgets in order to best position RFA to achieve outcomes as articulated in the Auckland Plan and Statement of Intent have now been completed.</p> <p>RFA has submitted change proposals to the LTP consultation document to right size the annual operational funding from Auckland Council to reflect the operating environment as part of the Long Term Plan 2018-28.</p>

PRIORITY	DELIVERABLE	STATUS	PROGRESS
	<p>MAXIMISE EXTERNAL REVENUE RFA will continue to identify, develop and implement opportunities for increasing external revenue to minimize the cost to ratepayers of delivering activities that enhance Auckland's cultural capital.</p>	Ongoing	<p>The 2017/18 budgets include an increase of external revenue by 21% (on actual 2017 results) and for external revenue to cover 72% of the organisation's operational costs.</p> <p>Key revenue items which will have a significant bearing on the ability of RFA to meet its revenue targets include:</p> <ul style="list-style-type: none"> • Ability to secure outdoor concerts. • The Bug Lab exhibition at Auckland; • Securing revenue at our key venues (Aotea Centre and Auckland Zoo) while there are significant capital works underway; and • Entry fees for international visitors to Auckland Art Gallery implemented in late January. <p>The actual results to date show that the revenue targets will not be met this year therefore further cost control measures are currently in place.</p>
	<p>STRATEGIC PROCUREMENT Initiatives across RFA's business divisions and with Auckland Council Group (where appropriate).</p>	Ongoing	<p>RFA continues to participate in Council group procurements where these add value to our business. This has included food, utilities, printing, professional and technical consultants and physical works contractors.</p>

UNAUDITED FINANCIAL PERFORMANCE

RFA Consolidated	YTD ACTUAL	YTD BUDGET	VAR \$	VAR %	FULL YEAR
	MAR 2018	MAR 2018			ANNUAL PLAN
	\$000s	\$000s			2018
			\$000s		\$000s
OPERATIONAL					
Fees and user charges:	38,640	44,632	(5,992)	(13%)	55,001
Auckland Art Gallery	2,053	3,163	(1,110)	(35%)	3,564
Auckland Zoo	9,361	11,097	(1,736)	(16%)	14,580
Auckland Conventions	7,081	7,914	(833)	(11%)	10,830
Auckland Live	10,254	9,382	872	9%	13,658
Auckland Stadiums	9,430	12,606	(3,176)	(25%)	11,875
Corporate Services	372	371	1		494
NZ Maritime Museum	89	99	(10)	(10%)	-
Grants and subsidies	506	476	30	6%	580
Other revenue	4,553	6,312	(1,759)	(28%)	12,247
Direct Revenue	43,699	51,420	(7,721)	(15%)	67,829
Employee benefits [1]	28,519	30,744	2,225	7%	40,826
Grants, contributions and sponsorship	927	948	19	2%	1,259
Other expenditure:	39,306	39,816	512	1%	53,728
Cost of sales	18,754	20,176	1,422	7%	27,119
Facilities management	10,085	9,502	(583)	(6%)	14,092
Marketing	1,371	1,875	504	27%	2,603
Information systems	826	1,187	361	30%	1,583
Travel and entertainment	768	874	106	12%	1,307
Professional services	1,316	1,484	168	11%	1,220
Other	6,186	4,718	(1,468)	(31%)	5,803
Direct expenditure	68,752	71,508	2,756	4%	95,813
Net direct expenditure (income)	25,053	20,088	(4,965)	(25%)	27,985
Funding from Auckland Council	(21,405)	(21,405)	-	-	(27,506)
Revenue from vested assets [2]	(1,747)	-	1,747	-	-
Other non-operating expense (income)	1,153	475	678	(143%)	-
Net finance expense (income)	(419)	(367)	(52)	14%	(478)
Depreciation and amortisation	20,172	21,753	(1,401)	6%	28,763
Net losses (gains) on disposal of assets	363	-	(363)	-	-
Income tax	-	-	-	-	-
Net expenditure (income)	23,171	20,364	(2,807)	(14%)	28,764
CAPITAL EXPENDITURE					
Total capital expenditure	26,563	51,976	25,413	49%	65,453

[1] Actual employee costs include direct payroll costs relating to event delivery. These are budgeted under 'other operating expenses'

[2] Donated artworks received by Auckland Art Gallery. These are not budgeted.

RFA OPERATIONAL

RFA finished the third quarter with an unfavourable net operational result of \$3.4m against budget. The operational result excludes non-cash revenue and expenditure items. The “accounting” result shows a net direct expenditure of \$23.1m, which is \$2.8m / 14% unfavourable to budget.

Major year-to-date variances to budget are explained as follows:

Direct external revenue is \$43.7m, which is \$7.7m / 15% unfavourable to budget.

- Zoo commercial revenue is below budget by \$1.7m due to less visitation which impacts associated revenues through food and beverage and retail shop sales. This year has also seen less than expected growth in the Zoo’s experience products, especially Safari Nights, and the Tawharanui schools education programme. The Zoo is in a period of major capital works with many of the animals unavailable and this has had a negative impact on patronage.
- Conventions revenue is below budget by \$0.8m due to lower event revenue across all venues (except Aotea Centre) and lower commission revenue from the new catering contract that came into effect in October 2017. The previous legacy contract had higher commission share and an exclusivity payment arrangement which was not secured in the new contracts.
- Stadiums revenue is unfavourable to budget by \$3.2m as a result of fewer concerts and festivals than planned. Two planned major concerts did not eventuate and there was one less Paul McCartney concert due to low sales for the first concert. This directly impacted venue hire revenue, while lower ticket sales affected associated revenues such as catering and merchandise.
- Auckland Live has performed well in the first nine months with an increase in the level of commercial activity including higher ticket sales, resulting in \$0.9m revenue favourable to budget. Unbudgeted events brought in combined \$0.6m of unplanned revenue. *Matilda the Musical* had a successful season and closed ahead of budget by \$0.2m.
- The international visitor admission charge at Auckland Art Gallery was introduced later than anticipated and will not meet the expected targets.
- Other revenue has declined both at the Gallery and the Zoo due to the difficulties in obtaining sponsorship from the corporate sector. The Corsini art exhibition attracted less sponsorship than anticipated, and funding pressures led to a constrained art exhibition programme thus providing fewer opportunities to attract sponsors.

Direct expenditure is \$68.7m, which is favourable to budget by \$2.8m / 4% as a result of lower costs associated with revenue (cost of sales) due to fewer major events and assisted by savings in employee costs.

- Employee-related costs are favourable to budget by \$2.2m / 7% across the business as a result of deferred recruitment, staff turnover and the timing of business re-organisations.

Deferred recruitment has been a management decision to offset revenue shortfalls. However, this can impact business performance and increase staff health and safety risks as well as visitor security risks. Recruitment in most areas is in progress and staff costs are expected to rise in the last quarter.

- Marketing expenditure is also favourable to budget due to the timing of exhibitions and events and the savings when events have not been held. Auckland Conventions is closely managing costs to achieve financial targets. Auckland Live adopted the same approach in the first half of the year, although marketing spend increased in the summer season to promote community activities.
- Savings of \$0.6m in costs for professional services, ICT and travel and entertainment has assisted with managing to budget and was also partially caused by project delays.
- Other expenditure and facilities management is \$2.0m unfavourable to budget due to necessary investment into customer experience and safety initiatives and reactive (unplanned) maintenance works at Aotea Centre, Auckland Art Gallery, Western Springs Stadium and The Civic. This includes re-oiling the kauri surfaces at the Gallery and insurance claims relating to The Civic and Western Springs Stadium.

YEAR END FORECAST

RFA's operational costs are met primarily through external revenue with the balance from Auckland Council's operational funding. For the 2017/18 financial year, operational costs were budgeted to be met 28% from Council and 72% from external revenue.

With the lower than expected revenue, offset in part by tighter cost control, the year-end forecasted operational position is expected to be approximately \$4.9m unfavourable to budget.

While this result is disappointing, it reflects RFA's operational environment where the most significant risk to achieving budgets was achieving revenue assumptions where external revenue is subject to a high degree of volatility and are cyclical in nature.

Due to the volatile and cyclical nature of external revenue, RFA cannot adequately forecast the year end position until the third quarter. As indicated at the Quarter 2 presentation to the Finance and Performance Committee meeting, the year-end position was forecasted to be unfavourable to budget due to external revenue pressures.

The organisation has now completed the formal forecast and is forecasting a negative variance of \$4.9m for the year ending 30 June 2018.

The majority of this variance is due to:

- Market volatility, especially affecting revenue for Auckland Stadiums, Auckland Conventions, and Auckland Live;
- Less favourable catering arrangements for Auckland Conventions affecting both the exclusivity premium and commissions received by Conventions;

- Adverse weather and operating conditions continuing to have a significant impact on Zoo visitation.

The shortfall in revenue has been offset partially by cost control initiatives, delay of appointment to vacant roles, deferral of non-urgent property-related repairs and maintenance, deferral of ICT and People & Culture initiatives, deferral or cancellation of uncommitted free events, and deferral of advertising and marketing spend which will not impact this year's revenue.

Management continues to identify further revenue opportunities, defer non-revenue generating programmes and exhibitions, or defer strategic investments into RFA's core business to minimise the overall budget variance.

RFA CAPITAL

Capital expenditure is \$26.6m, representing 51% of the funding allocated for this period. The main drivers for the lower spend are:

- Shared Services Facility for Auckland Town Hall and Aotea Centre: Technical issues experienced in August 2017 have resulted in a five-month delay in the delivery of this project. The completion date is now June 2018.
- Aotea Centre Refurbishment and Expansion: The detailed design for the expansion component went out for tender in April. The refurbishment component of this project is on track. Physical works began in February 2018 and the estimated completion date is February 2019.
- Auckland Zoo's South-East Asia Precinct and Darwin's café: A large construction project over multiple years covering eight zones. Works on the orangutan zone began in February 2018 and will be complete by February 2019. Darwin's café construction is scheduled to commence in June 2018 and is expected to take three to four months.
- Zoo Administration Building: Budget constraints required design amendments, which will push the completion date out by one month to September 2018. Preliminary site works began in February 2018.
- Jamuna /Old Elephant House: The construction contract was awarded in March 2018, with physical works due to begin by the end of April 2018. Scheduled for completion by September 2018. The \$1m budget underspend is due to delays in the design component.

The following projects have been completed to date in this financial year:

- Mt Smart Stadium Arena 1 projects:
 - Refurbishment of the corporate suites and toilet facilities and other interior improvements
 - Renewal of drainage and water main to prevent flooding
 - Waterproofing of the West Stand seating areas

- Construction and remediation of entry gates at Mt Smart
- Installation of ball retention fencing at Mt Smart Field 3.

At the request of Council, RFA has deferred approximately \$12m of the 2017/18 capital programme as part of the overall Auckland Council Group requirements. RFA has forecast to deliver in the vicinity of \$40m to \$45m of this year's capital programme.

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 2017/18.

- On track
- Not on track but expected to be met by year end
- Not on track and requires management intervention

WHAT WE DO (LEVEL OF SERVICE)	HOW WE WILL MEASURE SUCCESS (PERFORMANCE MEASURE)	ANNUAL TARGET 2017/18	Mar 2018 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	830	700	■
	Visitor satisfaction with experiences at Auckland Live events Venues include: Aotea Centre, Auckland Town Hall, The Civic, Aotea Square, Bruce Mason Centre	90%	90%	■
	Percentage of patrons who believe Auckland Live provides them with a rich choice of arts and entertainment options	77%	76%	■
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	441	305	■
	Number of community event days at stadiums ^[1] Venues include: Mt Smart Stadium, QBE North Harbour Stadium, Western Springs Stadium	645	336	■
	Visitor satisfaction with experiences at Auckland Stadium venues	82%	82%	■
Total number of visitors to Auckland Zoo		731,500	535,425	■

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 Art Gallery	450,000	440,944	
	Visitor satisfaction with experiences at Auckland Zoo	90%	88%	
	Visitor satisfaction with experiences at Auckland Art Gallery	90%	93%	
	Number of Maori programmes annually at Auckland Art Gallery	10	13	
	Percentage of visitors reporting an enhanced appreciation of wildlife ^[2]	80%	80%	

[1] Increased commercial activity at the Auckland Stadiums venues is resulting in reduced capacity for community events at certain times of the year. The advent of the Albany Stadium pool next to QBE Stadium has led to the cessation of the Drive Rush motorsport events to ensure adequate parking capacity at the Stadium. The capital renewals programme has also affected availability of the grounds, etc, as work is scheduled to take place during non-commercial peak activity times.

[2] Adverse weather conditions, exhibit closures due to construction and constraints to running experience products are contributing to the low appreciation quotient. The new Bug Lab exhibition which opened mid-December is expected to improve this result in future months.

[3] 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 Māori visibility at regional facilities, support Maori businesses to engage with RFA, and support tikanga Māori cultural expression. These include Auckland Zoo's Māori science programme, Auckland Art Gallery's Māori Advisory Group, Auckland Art Gallery's Lindauer exhibition, and Auckland Conventions' support for the Tamaki Herenga Waka Festival on Anniversary Day.

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

RFA continues 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, and align with the goals of RFA's approved Māori Engagement Framework.

In 2017/18 RFA will review its Maori Engagement Strategy to ensure it is continuing to support RFA's contributions to Maori outcomes. RFA is working with Auckland Council's Te Waka Anga Mua ki Uta through their work in supporting development of Māori responsiveness plans across the group.

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 and exhibit openings at the zoo.</p> <p>Auckland Zoo launched its Matarangi Maori education programme 1st July 2017. So far 600 participants have discovered relationships and connections between Aotearoa's animals, plants, people, the things we do and our values, all from a Māori world view.</p> <p>On 20th December 2017 the Zoo opened Te Papa's Bug Lab exhibition, which contains a number of stories and interpretation regarding native New Zealand insects and their significance from a mataranga Maori perspective. Since opening 55,000 visitors have seen Bug Lab.</p> <p>The Te Wao Nui New Zealand species precinct has developed Māori stories and is continuing to enhance this significant component of the experience. This precinct is 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>
<p>The Auckland Art Gallery Toi o Tāmaki Māori advisory group, Haerewa, 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.</p> <p>Auckland Art Gallery Toi o Tāmaki touring exhibition Gottfried Lindauer: The Māori Portraits opened successfully in September at De Young Museum in San Francisco and continues until April. The Gallery is planning a blessing and small exhibition of the works to welcome them back to Tāmaki Makaurau.</p> <p>Curator Māori Art, Nigel Borell, in conjunction with the public engagement team coordinated and facilitated a project with artist Charlotte Graham (Ngati Mahuta, Ngai Tai, Ngati Tamaoho) as the Auckland Art Gallery's presence at Tāmaki Herenga Waka Festival 2018 over the Auckland Anniversary weekend.</p> <p>Curator Māori Art, Nigel Borell, in conjunction with the Employee Engagement Forum has initiated and coordinated sessions for all staff with AUT Lecturer and Kaikōrero Dr. Valance Smith (Ngā Puhi, Waikato) to offer staff pathways into te reo and tikanga Māori. Sessions held in the quarter included a marae visit and 3x waiata lessons to date.</p> <p>Learning and Outreach is continuing to support Māori youth with its activities. The team has also been working closely with Curator, Māori Art, Nigel Borell with a view to developing Māori taonga educational touch objects. An Outreach Educator Jasmine Te Hira (Te Rarawa and Cook-Island-Māori decent) has recently been employed to work with the team and she will be connecting this year with kura kaupapa Māori and a range of secondary school Māori teaching units in creating a new outreach engagement strategy for 2019 with this sector. This year Waka Angamua, Auckland Council Māori Responsiveness Team have been advising as the forthcoming Learning and Outreach Programme has developed.</p> <p>The gallery is committed to having on display art that reflects Aotearoa's bicultural identity including a range of work by Māori artists. Highlights on display currently include the exhibition "Charles F Goldie: Revealing the Painter and the Subject". The Goldie paintings of Māori subjects are</p>	<p>As New Zealand's leading visual art institution, it is Auckland Art Gallery's Toi o Tāmaki role to showcase New Zealand art and culture.</p>

INITIATIVE	CONTRIBUTION TO MĀORI OUTCOMES
<p>among the most loved and admired works in the Gallery's collection. The planning for the forthcoming exhibitions: 'Wi Taepa : Retrospective' (celebrating the art of senior Māori clay artist Wi Taepa (April-September 2018) and the exhibition 'Radical Beginnings': celebrating the first generation of contemporary Māori art and artists of the 1950s (June 2018 – June 2019). All exhibitions mentioned here are free to the public.</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>A formal relationship exists between Mt Smart Stadium and the Tūpuna Taonga o Tāmaki Makaurau Trust, with whom ownership of the stadium resides.</p> <p>Stadiums Management have met with Auckland Council to negotiate the potential hosting of the 2021 Te Matatini; Kapa Haka Aotearoa festival at Mt Smart Stadium. Management will present to Tamaki Kapa Haka executive team later this month the opportunities Auckland Stadiums can offer in hosting this event.</p>	<p>Celebration of Auckland's Māori identity as its point of difference in the world for its visitors.</p>
<p>Auckland Live's Waitangi weekend activity for Summer in the Square was well received by patrons despite challenging weather. Rob Mokoraka performed his one man shot Bro in the pouring rain to a dedicated audience, who engaged in post-show kai and discussion around the subject of mental health and the changes to be made as a community. Kids experienced the latest offering from Jamie McCaskill titled Mata & the Mysterious Maunga and we closed the full Summer in the Square program with The Maori Sidesteps.</p> <p>Focus now turns to the Matariki programme, to complement activations already in place on site and opportunities, this will include a light sculpture in Aotea Square and key Herald Theatre theatre projects.</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 during this quarter hosted the 2018 Tamaki Herenga Waka Festival 2018 at the ANZ Viaduct Events Centre. We offered the venue hire on a complimentary basis with only actual costs to be paid.</p> <p>Negotiations continued with Lisa Davis from Ngati Whatua regarding a proposal for a cultural performance for a short lead Chinese group, unfortunately the group did not end up coming to Auckland.</p> <p>A cultural performance was the main highlight during the welcome function for the WCGALP Convention held in February. This event hosted 1000 international and domestic delegates for 5 days.</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>
<p>Hui Te Ananui A Tangaroa, the NZ Maritime Museum understands that engagement of iwi is essential to its integrity as a kaitiaki of Aotearoa's maritime heritage. This is reflected in our gifted Māori name, given to us by Ngāti Whātua-o-Ōrākei. We commit to weaving their perspectives and stories into the kete of the Museum. The Museum works with our Pae Arahai, Dr Haare Williams, and iwi, to develop understanding and connection to Te Ao Māori throughout the Museum programme and operations. Examples of this include the advisory committee for the entire Museum programme focused on Tuia Encounters 250 as well as regular hui to incorporate Māori values across our exhibitions and programming. Through our Education programme, we have delivered tailored programmes to Kura Kaupapa Māori. We work closely with the Te Toki Voyaging Trust to develop and deliver programmes beneficial to Māori education, and to provide a home for matauranga waka at the Museum; through our MOU the Museum provides a permanent home for the Trusts two waka hourua. Hui Te Ananui A Tangaroa recognises the need for increased engagement with Te Ao Māori and our obligations under Te Tiriti o Waitangi and looks for additional opportunities to increase this engagement.</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>

INITIATIVE	CONTRIBUTION TO MĀORI OUTCOMES
The IMSB and local Iwi are recognised as key stakeholders in RFA's Aotea Arts Quarter 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

The Second Quarter Report to 31 December 2017 was distributed to all local boards in late February, and the engagement manager attended meetings of boards who placed the report on their agendas. The Director, Auckland Stadiums visited North Shore boards to talk about developments at QBE Stadium, and the Deputy Director, Auckland Live, reported on the Bruce Mason Centre at a meeting of the Takapuna-Devonport board.

Regular liaison continued with the Waitemata Local Board, including presentations from RFA directors on Western Springs Stadium, Auckland Live venues, and the New Zealand Maritime Museum. The board supported the developments at the Aotea Centre and requested regular updates, particularly in regard to access. The Directors, Auckland Zoo and Auckland Art Gallery will visit the board in June.

There was engagement involving the governance role of the Maungakiekie-Tamaki Local Board regarding Waikaraka Park, and of the Albert-Eden Local Board regarding backlighting the Zoo's new sign on Great North Rd.

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.

RFA is working with Auckland Council on the requested enhanced reporting of risks to Council's Audit & Risk Committee.

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 management addresses 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.