

Fourth Quarter Report 2017-18

FOR THE QUARTER ENDED 30 JUNE 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 fourth 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 fourth quarter included:

- This is the first quarter in which the New Zealand Maritime Museum has been fully integrated into RFA with the Museum looking forward to increased collaboration across the RFA group and the city to offer an enhanced experience to Aucklanders and visitors.
- *Wi Taepa: Retrospective* opened at Auckland Art Gallery Toi o Tāmaki with an intimate blessing facilitated by Haerewa, the Gallery's Māori advisory group, and curator of Māori art Nigel Borell. This major retrospective exhibition of senior Māori clay artist Wi Taepa looks back over 30 years of the artist's practice.
- The 2018 *Auckland Writer's Festival* took over the Aotea Centre for a week in May, and had its most successful year to date with record ticket sales and attendance numbers of over 74,000.
- The announcement of Disney's international musical, *Aladdin*, coming to The Civic in 2019 received major media coverage and attracted a waitlist of thousands.
- Auckland Live's free family programme Pick & Mix marked its 10th anniversary with the announcement of a well-received winter line-up; with the weekend sessions selling out.
- The Bruce Mason Centre was awarded Gold status by disability advocates, Be.Accessible, while The Civic was named Best Large Venue at the NZ Music Managers Awards.
- Te Papa and Weta Workshop's *Bug Lab* at Auckland Zoo has been a huge success, reaching almost 100,000 visits since opening in December and more than half the people visiting the Zoo at the same time.
- For the first time in 16 years, the Zoo bred two critically endangered cotton-top tamarin babies, and also in a first for New Zealand the Zoo hatched two lace monitor babies in June, with more eggs due to hatch.

The unaudited operational result for the financial year shows an unfavourable variance to budget of \$5.49m following another challenging quarter. The key factor underlying this result is that the 2017/18 budget targeted a \$17.4m (+34%) increase on the previous year's external revenues, of which the organisation achieved an increase of \$4.9m (+9%), an overall shortfall of \$12.5m. This reflected the impact of a number of planned events that did not materialise (with several major events cancelled or deferred into the following financial year). In addition, RFA revenues were also negatively affected by the impacts of a softening sponsorship and philanthropic environment, adverse weather conditions affecting Zoo visitation, less favourable commercial terms from catering suppliers, 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.

The shortfall in revenue was offset through the application of tight cost controls in areas that would not adversely impact RFA's ability to grow revenue and maintain standards. This resulted in savings of \$7.9m, derived from managing vacancies to reduce staff costs, and deferring or cancelling non-committed costs (such as marketing, ICT costs and staff training). We have continued to increase commercial revenue, efficiently manage our operational costs, and minimise the operational funding required from Auckland's ratepayers. In a challenging market where organisations such as RFA are competing for the consumer discretionary spend, our external revenue accounts for 61% of our total operational revenue.

The capital programme was underspent for the year of approximately \$19m with a number of projects associated with that already committed (Aotea Centre refurbishment, Western Springs renewals, Aotea urban screen, and South East Asia development). This includes \$12m of requested deferrals from Auckland Council. Excluding the requested deferrals, 86% of the capital programme was delivered. Finalisation of any carry over amount will be confirmed by Council in September as part of the budget refresh process.

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 an enhanced customer experience at all touchpoints of the customer and client journey. Positive trends in Net Promoter Scores across RFA venues indicate improvements in RFA customer experiences continue, however it also identifies the following as general areas of improvement across several RFA venues:

- the condition of RFA facilities
- the value, quality and availability of food offerings at RFA venues, and
- accessibility (costs, and transport and parking availability).

These issues are currently being addressed through strategic capital renewals, investment into on-line channels, and collaboratively working with Auckland Transport.

OPTIMISE SECTOR NETWORKS

RFA provides a single governance structure and management for a network of many of Auckland's publicly-funded arts, cultural heritage and events venues. Optimising this structure provides the opportunity for operational efficiencies and improved programme coordination across the sector.

Identifying and leveraging the strengths in the sector portfolios within which RFA operates will allow 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 to RFA's governance in March 2018. 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 business divisions.

INVEST IN OUR VENUES AND SERVICES

RFA is the trusted steward of \$1.3 billion of assets.

RFA's venue and facility infrastructure is critical to our ability to provide an enriching programme of experiences. The current state of RFA's infrastructure reflects a long history of under-investment and lack of coordinated planning under previous council regimes. Addressing this represents a key transformative priority for the organisation.

Key initiatives currently include:

- Auckland Zoo's South East Asia precinct
- Auckland Zoo's Old Elephant House refurbishment
- Auckland Zoo's Administration building extension
- Mt Smart Stadium renewals
- Aotea Centre refurbishment project
- Aotea Centre and Town Hall shared essential services building.

IMPROVE ORGANISATIONAL SUSTAINABILITY

The 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 engaged with Council's Long Term Plan process to identify levels of funding 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. Of particular focus was funding for Auckland Art Gallery, health and safety, security, and venue maintenance.

RFA's business model relies heavily on external revenue to fund the operational costs of the organization. External revenue is highly volatile and cyclical in nature and presents an inherent financial risk as the organization competes for the discretionary dollar.

RFA will work with Auckland Council to explore the merits of an alternative funding model which will be more appropriate for RFA's operational environment as well as best position the organization to deliver upon the outcomes sought by the Auckland Council Group and RFA's Strategic priorities.

HIGHLIGHTS FOR THE LAST QUARTER

AUCKLAND ART GALLERY TOI O TĀMAKI

The Gottfried Lindauer's Māori portraits returned from a successful exhibition at San Francisco's de Young Museum in the fourth major international showing of the portraits in recent years. The de Young exhibition, made possible by significant support from central Government through the Cultural Diplomacy International Programme (CDIP), was seen by 99,000 visitors.

Opening in time for the April school holidays, *From Pillars to Posts: Project Another Country* is a collaborative art installation by Isabel and Alfredo Aquilizan inviting visitors to produce their own idea of a dream home that will then be integrated into a 'city of dreams'.

The Gallery partnered with the New Zealand Police to invite migrant groups in Auckland for a series of special workshops with the *From Pillars to Posts* artists. Further workshops were run with school and youth groups from throughout Auckland.

Wi Taepa: Retrospective opened with an intimate blessing facilitated by Haerewa, the Gallery's Māori advisory group, and curator of Māori art Nigel Borell. This major retrospective exhibition of senior Māori clay artist Wi Taepa looks back over 30 years of the artist's practice.

In May, the Art Gallery launched a new chatbot through Facebook Messenger. Utilising machine learning, the chatbot gives online audiences a new way to explore the Gallery's collection of 17,000 artworks.

AUCKLAND CONVENTIONS, VENUES & EVENTS

Auckland Conventions staged 158 events during the fourth quarter, with highlights including the Microsoft Azure Summit, CINZ MEETINGS 2018 events, and the CIO (Chief Information Officer) Gala Awards Dinner – Conferenz Ltd.

As part of the national industry tradeshow CINZ (Conventions and Incentives New Zealand) MEETINGS 2018, Auckland Conventions showcased two of its iconic venues with two different VIP events. CINZ MEETINGS is New Zealand's only national business tourism event for the conference, meetings, events, exhibition and travel incentive industry, each year attracting local, national and global buyers. A wow factor showcase was held for buyers and media at The Civic where more than 100 international and domestic guests enjoyed a special meal on the stage of the theatre. This was followed by a gala dinner at Auckland Town Hall where 600 conference delegates enjoyed the very best of New Zealand wine and food.

AUCKLAND LIVE

The announcement of Disney's international musical, *Aladdin*, coming to The Civic in 2019 received major media coverage and attracted a waitlist of thousands of people. Other notable event announcements included the smash-hit musical *Chicago* (originally planned for the

2017/18 financial year); and new dates were added for The Civic Tours, which continue to sell out.

A number of shows at Auckland Live venues did phenomenally well during this period, including *Mamma Mia!* at the Bruce Mason Centre, and National Youth Theatre Company's *CATS* which set a record for NYTC ticket sales. Marlon Williams sold out the Auckland Town Hall, prompting promoters to add a second show.

Auckland Live's free family programme *Pick & Mix* marked its 10th anniversary with the announcement of a very well received winter line-up; with the weekend sessions selling out.

The 2018 *Auckland Writer's Festival* took over the Aotea Centre for a week in May, and had its most successful year yet with record ticket sales and attendance numbers of over 74,000.

Auckland Live's venues were in the spotlight in Quarter 4. The Bruce Mason Centre was awarded Gold status by disability advocates, Be.Accessible, while The Civic was named Best Large Venue at the NZ Music Managers Awards.

A finalist in the Arts Access 2018 awards, Auckland Live was commended by the judges for its commitment to ensuring arts accessibility for all. In addition, it was praised for its work with the Royal New Zealand Ballet in staging the first ever audio-described ballet (*Romeo and Juliet*, at the Aotea Centre) in New Zealand.

The annual Art Fair brightened up Queens Wharf over one very busy weekend, as did the Coffee Festival and Winetopia.

NEW ZEALAND MARITIME MUSEUM

This is the first quarter in which the New Zealand Maritime Museum has been fully integrated into RFA with the Museum looking forward to increased collaboration across the RFA group and the city to offer an enhanced experience to Aucklanders and visitors.

The Museum participated in the *Bright Nights* light experience in the Viaduct Harbour. This brought more than 60,000 visitors to the area and featured a light projection installation on the former America's Cup yacht KZ1, directly outside the Museum.

A collaboration with artist Sara-Jane Blake for *Bright Nights* called *Light Ships* saw large ship-shaped sculptures created and paraded through the Viaduct during a group performance.

The Museum was awarded a Museums Aotearoa Arts Access Highly Commended Award and Finalist Certificate for the exhibition *Knot Touch*. The exhibition was a conscious attempt by artist Jae Kang to create a space that is more accessible by offering children and disabled visitors a rich tactile experience using netting, rope and a range of maritime knots.

The exhibition *World Builder: The Bob Gerrard Story*, on loan from the Dowse Art Museum in Lower Hutt, opened in the Edmiston Gallery in May.

The Museum collection team were involved in the early stages of the identification of the 1865 wreck of the schooner Daring which was discovered at Muriwai.

The final portion of highly significant Auckland Harbour Board microfilm was digitised as part of a multi-year restoration project. The microfilm was rapidly deteriorating and the records include some of the city's earliest port development, reclamations and structures. This is the last of these important records which now have permanent preservation in the Museum's Bill Laxon Maritime Library thanks to the assistance of multiple funders, including the New Zealand Maritime Museum Foundation.

Working with generous funding from the Four Winds Foundation, the NZ Maritime Museum is proud to be able to offer free programmes to low decile South Auckland schools, and has been able to cover the costs of buses, programmes and sailings for students and whanau that would not normally be able to visit.

AUCKLAND STADIUMS

The recent successes of the Warriors has been reflected in a huge increase in the popularity of games at Mt Smart Stadium, with an average crowd attendance for the season to date of 16,845, an increase of 25% from the same time last year. Every game day crowd has been bigger than any game last year with the biggest match being the SKYCITY Auckland Double Header in April which saw a 25,600 sell-out crowd. The biggest crowd for the entire 2017 season was just over 13,000.

Auckland Stadiums has been working collaboratively with the Warriors on a number of initiatives to enhance the game day experience at Mt Smart Stadium, with a mutual goal of improved fan experience as a key focus.

Six60 announced a one-off summer concert at Western Springs Stadium, making them the first New Zealand act to ever headline the iconic venue. The concert set records for ticket sales when they sold 27,000 tickets in 20 minutes.

AUCKLAND ZOO

Auckland Zoo had 167,327 visits in the fourth quarter, with a particularly successful April. Visitation during April was 9% higher than the last five years, despite the closure of the African Savannah boardwalk due to storm damage.

Te Papa and Weta Workshop's *Bug Lab* has been a huge success, reaching almost 100,000 visits, with more than half the people visiting the Zoo at the same time. April was the second busiest month for Bug Lab to date with 14,143 visits.

The Ectotherms team staff carried out a fourth release of 385 Zoo-bred wetapunga onto the Noises Islands in April, followed by a fifth release of 156 wetapunga onto Tiritiri Matangi in June. This brings the Zoo's running total on this threatened endemic species recovery project to about 4000 animals released across four islands in the Hauraki Gulf.

In early May the Zoo welcomed two young male Tasmanian devils, Levi and Smiley to join older male Herod as part of Australia's Tasmanian Devil Ambassador Program. An endangered species, Tasmanian devils are under threat from the deadly Devil Facial Tumour Disease (DFTD).

For the first time in 16 years, the Zoo bred two critically endangered cotton-top tamarin babies. Cotton-tops are small arboreal (tree dwelling) monkeys found in wet tropical forests or dry thorn forests in northern Colombia.

In a first for New Zealand, the Zoo hatched two lace monitor babies in June, and has more eggs due to hatch. This comes two and a half years after the Zoo welcomed their parents to the Zoo to feature within its Australian precinct. The lace monitor is the second largest monitor lizard in Australia and one of the world's largest lizards.

The Zoo's pest control team has been installing pest control devices across RFA venues – The Civic, Aotea Centre, Auckland Town Hall, Bruce Mason Centre and the ANZ Viaduct Event Centre – with the remaining venues by the end of September. The development of holistic and integrated pest management plans for each site will follow.

FUTURE OUTLOOK

Auckland Art Gallery will open *The Walters Prize 2018* exhibition on Saturday 18 August. There is much anticipation to see what the nominated artists will exhibit, with the winner being selected based on work in this exhibition.

Auckland Conventions' next quarter line-up includes New Zealand Fashion Week at the ANZ Viaduct Events Centre in August and New Zealand's largest on-water boat show *Auckland on Water Boat Show* also at the ANZ Viaduct Events Centre in September.

New Zealand Maritime Museum will open a new exhibition *Carving Water, Painting Voices* in October and will commemorate the annual Merchant Navy Day service on 3 September.

Auckland Live is in the final stages of procuring a large scale digital screen for use in Aotea Square and other spaces. The screen is intended to provide a focus for engagement with the Square's existing visitors and add significantly to the depth, quality and diversity of the live arts, culture and entertainment experiences on offer in the Aotea Arts Quarter.

Auckland Live is hosting a major conference for Asia and Pacific arts centres and organisations in September. APPAC is at the heart of major developments in the performing arts industry in the region, and 75 of its members, from over 20 countries, are coming to the Aotea Centre to discuss the latest trends in arts venues practice.

A key future focus for Auckland Stadiums is improving customer experience. A number of initiatives are underway ahead of the upcoming concert season, including creating "dwell zones" to create fan engagement at concerts, improved end-to-end customer communications, connectivity solutions and improved venue wayfinding.

The Aotea Centre refurbishment continues, with the Centre closed for events from October as the interior refresh begins (scheduled for completion by March 2019).

At Auckland Zoo the South East Asia development continues on time and on budget. Construction of the new administration wing continues to make good progress with concrete pours for the ground floor slabs now complete; and the shape of the building is now clearly visible.

KEY DELIVERABLES

PRIORITY	DELIVERABLE	STATUS	PROGRESS
OPTIMISE SECTOR NETWORKS	CULTURAL HERITAGE REVIEW 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.	Ongoing	The review is led by Auckland Council with RFA participation. RFA management continues to assist Auckland Council and engage with the major museums in relation to the review as required.
	COLLABORATION ACROSS THE COUNCIL GROUP 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.	Ongoing	RFA continues to work closely with the Auckland Council Group. The following are key initiatives occurred this quarter: <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 continues on the impact on the operations of the ANZ Viaduct Events Centre as this now becomes the home of Emirates Team NZ. This quarter saw the integration of NZ Maritime Museum into RFA to seek operational efficiencies through economies of scale and ensure value for money for the ratepayer.

PRIORITY	DELIVERABLE	STATUS	PROGRESS
	<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> <p>RFA works with Panuku Development Auckland in the Transform and Unlock areas, including Takapuna, Manukau and the central city.</p>	Ongoing	RFA continues to work collaboratively across the Council group including with Panuku and Auckland Transport. For example, the Civic Administration Building development, shared place making activities on Queen's Wharf, and establishment of new shared essential services between the Town Hall and Aotea Centre.
INVEST IN OUR VENUES AND SERVICES	<p>AUCKLAND STADIUMS</p> <p>Strategic investment in Auckland Stadiums (Western Springs, QBE Stadium and Mt Smart Stadium) by exploring opportunities to increase utilisation and financial sustainability.</p>	Ongoing	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. The Asset Management Plan 2018-28 now aligns with the final LTP 2018-28.
	<p>AOTEA CENTRE</p> <p>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.</p>	Ongoing	<p>Physical works are now in progress 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>

PRIORITY	DELIVERABLE	STATUS	PROGRESS
	<p>AUCKLAND ZOO Invest in Auckland Zoo's aging infrastructure to cater for increasing international standards of animal care, health and safety and improved visitor experiences.</p>	Ongoing	<p>The construction site is now established and the two-year programme of work for the South- East Asia precinct has in progress.</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 RFA will deliver enhanced and enriched customer experiences of our collections, events and services.</p> <p>ONLINE TRANSACTIONS AND SERVICES 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 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>As part of the Long Term Plan 2018-28, which was approved by Auckland Council on 27 June 2018, RFA submitted changes to right size the annual operational funding from Auckland Council to reflect the operating environment</p>
	<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>The actual results reflect that the revenue targets were not met this year therefore further cost control measures were implemented.</p> <p>Key revenue items which impacted on RFA's ability to meet its revenue targets include:</p>

PRIORITY	DELIVERABLE	STATUS	PROGRESS
			<ul style="list-style-type: none"> • Ability to secure outdoor concerts; • 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; • Reduced visitor numbers at Auckland Zoo due to wet peak days.
	<p>STRATEGIC PROCUREMENT Initiatives across RFA's business divisions and with Auckland Council Group (where appropriate).</p>	Ongoing	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.

FINANCIAL PERFORMANCE

RFA Consolidated	YTD ACTUAL	YTD BUDGET	VAR \$	VAR %
	JUN 2018	JUN 2018		
	\$000s	\$000s	\$000s	
OPERATIONAL				
Fees and user charges:	48,740	55,001	(6,261)	(11%)
Auckland Art Gallery	2,525	3,564	(1,039)	(29%)
Auckland Zoo	11,537	14,580	(3,043)	(21%)
Auckland Conventions	9,260	10,830	(1,570)	(14%)
Auckland Live	13,338	13,658	(320)	2%
Auckland Stadiums	10,974	11,875	(901)	(8%)
Corporate Services	763	494	269	54%
NZ Maritime Museum	343	-	343	-%
Grants and subsidies	1,669	580	1,089	188%
Other revenue	6,136	12,247	(6,111)	(50%)
Direct Revenue	56,545	67,829	(11,283)	(17%)
Employee benefits [1]	38,229	40,826	2,597	6%
Grants, contributions and sponsorship	2,045	1,259	(786)	(62%)
Other expenditure:	48,051	53,728	5,677	11%
Cost of sales	22,944	27,119	4,175	15%
Facilities management	13,698	14,092	394	3%
Marketing	2,175	2,603	428	16%
Information systems	2,418	1,583	(835)	(53%)
Travel and entertainment	1,135	1,307	172	13%
Professional services	1,182	1,220	38	3%
Other	4,499	5,803	1,304	22%
Direct expenditure	88,325	95,813	7,488	8%
Net direct expenditure (income)	31,780	27,985	(3,795)	(14%)
Funding from Auckland Council	(27,506)	(27,506)	-	-
Revenue from donated art works [2]	(2,404)	-	2,404	-
Other non-operating expense (income)	961	-	(961)	-
Net finance expense (income)	553	(478)	(1,031)	-
Depreciation and amortisation	27,400	28,763	1,363	(5%)
Net gain on business acquisition	(11,311)	-	11,311	-
Net losses (gains) on disposal of assets	3,987	-	(3,987)	-
Costs funded through capital	2,744	-	(2,744)	-
Other funding activities	1,528	-	(1,528)	-
Income tax	-	-	-	-
Net expenditure (income)	27,732	28,764	1,032	4%
CAPITAL EXPENDITURE				
Total capital expenditure	46,183	65,453	19,270	29%

[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.

The format of this report differs from the statutory report in the RFA Annual Report for the year ended 30 June 2018.

RFA OPERATIONAL

The operational results was \$5.5m unfavourable against budget. The operational result excludes non-cash revenue and expenditure items.

The “accounting” result shows a net direct expenditure of \$31.8m, which is \$3.8m / 14% unfavourable to budget.

Major variances to budget are explained as follows:

Direct external revenue is \$56.5m, which is \$11.3m / 17% unfavourable to budget.

- Zoo commercial revenue is below budget by \$3.0m 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 \$1.6m 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 \$0.9m 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.
- The international visitor admission charge at Auckland Art Gallery was introduced later than anticipated and did 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 \$88.3m, which is favourable to budget by \$7.5m / 8% 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 \$2.6m / 6% due to recruitment freezes across the business required to offset the lower than budgeted revenue. This freeze can only be a short term measure as it will impact business performance and increase staff health and safety risks as well as visitor security risks in the medium to long term.
- Marketing expenditure is also favourable to budget due to the timing of exhibitions and

events and the savings when events have not been held.

- Other expenditure is \$1.7m favourable and includes lower insurance costs, deferred ICT projects and overall reductions of non-essential spending.

RFA CAPITAL

Capital expenditure for the financial year ended 30 June 2018 is \$46.2m, representing 71% of the funding allocated for this year. 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. This project will now be completed in August 2018.
- Aotea Centre Refurbishment and Expansion: The design component of the expansion project is out to tender for a lead designer, and has been advertised globally. Construction of the refurbishment component of this project has started, and is being carried out in eight zones. Work on zones 2 and 3 has commenced and is scheduled to complete by the end of December 2018. The refit of the Goodman Fielder Room, Level 4 offices and Level 5 staff room were completed in March 2018.
- Auckland Zoo's South-East Asia Precinct and Darwin's café: A large construction project over multiple years covering eight zones. The construction works on the Orangutan zone commenced in February 2018 and is expected to complete by February 2019. The consent for the new Darwin's cafe was lodged in late June 2018, with construction to commence in the 2018/2019 financial year. Temporary food outlets will operate during the construction period.
- 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 commencing at the end of April 2018 and are scheduled to be complete by September 2018. The \$0.1m budget underspend is due to delay in the design component of this project.

The following projects have been completed 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
 - South Stand strengthening
- Construction and remediation of entry gates at Mt Smart Stadium
- Installation of ball retention fencing at Mt Smart Stadium 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.

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.

- Met
- Substantially met
- Not met

WHAT WE DO (LEVEL OF SERVICE)	HOW WE WILL MEASURE SUCCESS (PERFORMANCE MEASURE)	ANNUAL TARGET 2017/18	June 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	825	976	■
	Visitor satisfaction with experiences at Auckland Live events Venues include: Aotea Centre, Auckland Town Hall, The Civic, Aotea Square, Bruce Mason Centre	90%	89%	■
	Percentage of patrons who believe Auckland Live provides them with a rich choice of arts and entertainment options	76%	77%	■
We bring people together and help provide identity through memorable stadium events	Number of commercial event days at stadiums ^[1] Venues include: Mt Smart Stadium, QBE North Harbour Stadium, Western Springs Stadium	443	429	■
	Number of community event days at stadiums ^[1] Venues include: Mt Smart Stadium, QBE North Harbour Stadium, Western Springs Stadium	645	473	■
	Visitor satisfaction with experiences at Auckland Stadium venues	82%	82%	■
We care for our collections for current and future generations to enjoy and to bring cultural awareness of art and wildlife to Auckland and its visitors	Total number of visitors to Auckland Zoo	731,500	698,045	■
	Total number of visitors to Auckland Art Gallery	450,000	545,782	■
	Visitor satisfaction with experiences at Auckland Zoo	90%	88%	■
	Visitor satisfaction with experiences at Auckland Art Gallery	90%	90%	■
	Number of Maori programmes annually at Auckland Art Gallery	10	27	■
	Percentage of visitors reporting an enhanced appreciation of wildlife	80%	80%	■

[1] Commercial event days for 2017/2018 were within 3% of the target. The reduction in community events is due to public demand. There were no changes in pricing from previously years. The outer oval redevelopment at QBE Stadium resulted in reduced field capacity meaning baseball and a number of community football events were displaced.

[2] 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 Māori 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 reviewed its Māori Engagement Strategy to ensure it is continuing to support RFA's contributions to Māori 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 92,000 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 2017 at De Young Museum in San Francisco and continued until April 2018, ultimately attracting 98,753 visitors and bringing the worldwide audience for this exhibition to 358,287. In mid-April the Gallery held a blessing and launched the exhibition 'The Māori Portraits: Gottfried Lindauer: Te Hokinga Mai' to welcome the artworks back to Tāmaki Makaurau.</p> <p>Curator Māori Art, Nigel Borell, in conjunction with the Employee Engagement Forum has initiated and coordinated fortnightly waiata sessions for all staff with AUT Lecturer and Kaikōrero Dr. Valance Smith (Ngā Puhī, Waikato) to offer staff pathways into te reo and tikanga Māori.</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 has been connected 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. Te Waka Anga Mua ki Uta, 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 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 – August 2019). All exhibitions mentioned here are free to the public.</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>
<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>Management will be engaging with the Otara-Papatoetoe Local Board on the Venue Development Strategy in July 2018.</p>	<p>Celebration of Auckland's Māori identity as its point of difference in the world for its visitors.</p>

INITIATIVE	CONTRIBUTION TO MĀORI OUTCOMES
<p>Management has met with the Maungakiekie-Tamaki to update them on RFA's involvement with speedway in Auckland following SPL's decision to move to Colin Dale Park.</p> <p>Stadiums Management continue to work with Auckland Council to negotiate the potential hosting of the 2021 Te Matatini; Kapa Haka Aotearoa festival at Mt Smart Stadium.</p>	
<p>During this quarter Auckland Conventions / Auckland Live engaged Ngati Whatua to formally re-open the Level 4 office suite at Aotea Centre with a blessing of the newly refurbished space.</p> <p>Relocating the core Auckland Conventions team back to the main Aotea Centre office has provided the opportunity for staff members to join the Waiata singing group established by Auckland Live.</p> <p>A kapa haka cultural performance was a key highlight of an event held at Mt Smart Stadium in June. The function hosted 350 people to farewell the outgoing Managing Director of Countdown NZ.</p> <p>A memorial service was hosted in one of the conference spaces which instigated a team discussion and provided opportunities for staff to learn about Maori protocols for blessing the space upon completion of the service.</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>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>
<p>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.</p>	<p>Celebration of Auckland's Māori identity as its point of difference in the world for its visitors.</p>

LOCAL BOARD ENGAGEMENT

In April over 60 local board and advisory panel members attended a function at The Civic hosted by RFA Chair, Sir Don McKinnon.

The Third Quarter Report to 31 March 2018 was distributed to all local board members in June, and the local board engagement manager responded to a range of queries. Several boards who do not usually place the report on their meeting agendas did so, following with resolutions concerning particular interests of the boards. For example, Puketepapa Local Board enquired about volunteers at RFA facilities, and Mangere-Otahuhu Local Board expressed concerns

regarding the needs of South Auckland people in a formal resolution – a meeting with RFA's Chief Executive has been arranged.

The local board engagement manager also assists facilities for which RFA has regional responsibilities to engage with local boards. During this quarter the CEO of Vodafone Events Centre and Wero Whitewater Park was assisted to make presentations to the local boards in South Auckland.

Presentations to Waitemata Local Board from the directors of Auckland Zoo and Auckland Art Gallery were well received, and matters raised have been followed up, including the board's interest in pest management at various RFA facilities.

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.