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Watercare Services Limited

Watercare Services Limited (“Watercare”) is a council organisation (CO) and wholly owned subsidiary established within the Auckland Council governance structure.¹ Under the Auckland local government reforms, with one exception² Watercare has become the provider of all the water and wastewater services to the whole of Auckland region, from Rodney in the north to Franklin in the south.

- 6-1 Giving Watercare statutory responsibility for all water and wastewater services was recommended by the Royal Commission on Auckland Governance³ and agreed by the Government⁴. Establishing these new arrangements has involved Watercare taking over tasks formerly performed by either the Auckland territorial authorities or local network operators (organisations owned by or contracted to the councils). The Royal Commission believed such a move would lead to better demand management, better environmental management, and cost savings.⁵
- 6-2 This chapter outlines arrangements for Watercare. Section 1 provides a general overview of the organisation, including its orientation within Auckland Council, its purpose and objectives, and how they will be achieved. Section 2 canvasses the transition process and other matters affecting Watercare’s establishment.

1: Overview

Purpose and objectives

- 6-3 Prior to the integration of the water and wastewater services in Auckland, Watercare supplied bulk water collection, treatment, and distribution to six of the Auckland territorial authorities (or local network operators) and provided bulk wastewater collection, treatment, and disposal services to the four city councils. The territorial authorities (or local network operators) provide the local treatment and pipe networks and services to consumers. From 1 November 2010 Watercare took over management of all the water, wastewater, and combined wastewater/stormwater assets within the defined Auckland Council boundaries. (See Appendix 6-A on page 506 for a map.)

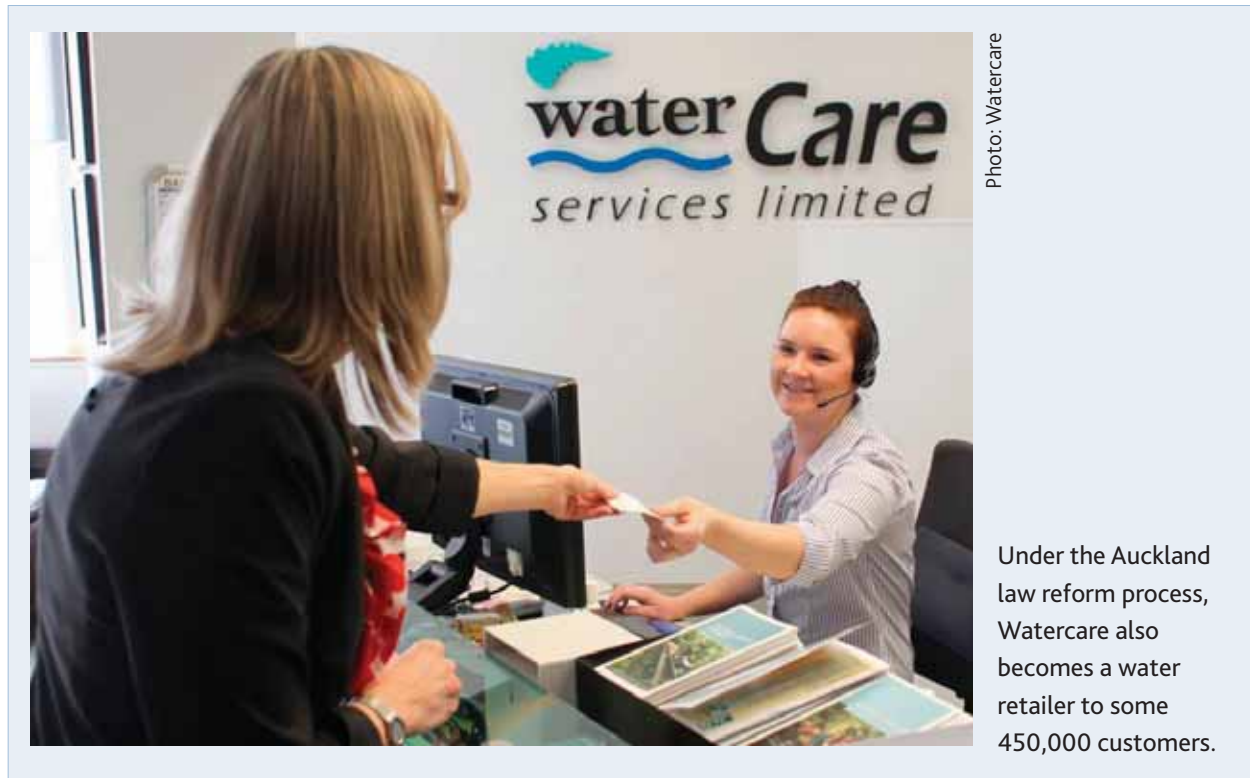
¹ Under section 113(2) of the Local Government (Auckland Transitional Provisions) Act 2010, Watercare will become a council-controlled organisation on 1 July 2012. (This section repeals section 6(4)(g) of the Local Government Act 2002, which specifically excluded Watercare from the definition of “council-controlled organisation”. The repeal comes into force on 1 July 2012.)

² The exception is the Papakura area where retail water and wastewater services are provided by United Water under a franchise agreement with all the assets owned by Watercare.

³ Royal Commission on Auckland Governance, *Report, Volume 1*, March 2009, recommendation 26B, p. 36, p. 608.

⁴ The Government’s high-level decisions on Auckland governance, *Making Auckland Greater*, April 2009, p. 28 (available at <http://www.aucklandcouncil.govt.nz>, accessed October 2010).

⁵ Royal Commission, *Report, Volume 1*, p. 599 at para. 26.171.



Under the Auckland law reform process, Watercare also becomes a water retailer to some 450,000 customers.

- 6-4 The Local Government (Tamaki Makaurau Reorganisation) Act 2009 (“Reorganisation Act”) made provision for those assets, liabilities, rights, obligations, and other matters of Auckland’s seven existing territorial authorities that relate to water and wastewater supply to be vested in Watercare.⁶
- 6-5 Ownership of Papakura District Council’s local water and wastewater network assets transferred to Watercare, which now manages the franchise agreement with United Water for the retailing functions.
- 6-6 The establishment of Watercare as a wholly owned subsidiary of the Auckland Council consolidates the business of the previous councils’ operations with the aim of achieving a consistent approach to water and wastewater services provision for the Auckland region (except for Papakura).
- 6-7 Watercare’s orientation with the other substantive CCOs of Auckland Council is depicted in Chapter 4, “Council-Controlled Organisations: Overview” (see Figure 4-1 on page 117).
- 6-8 The purpose of the company is to deliver regional water and wastewater services.⁷

Principles

- 6-9 Part 5, section 57(1) of the Local Government (Auckland Council) Act 2009 (“Auckland Council Act”) stipulates that an Auckland water organisation:
 - (a) must manage its operations efficiently with a view to keeping the overall costs of water supply and wastewater services to its customers (collectively) at the minimum levels

⁶ Local Government (Tamaki Makaurau Reorganisation) Act 2009, section 37(1), inserted by the Local Government (Tamaki Makaurau Reorganisation Amendment Act 2010, section 26. The territorial authorities are Auckland City Council (Metrowater), Manukau City Council (Manukau Water), Waitakere City Council, North Shore City Council, Franklin District Council, Rodney District Council, Papakura District Council.

⁷ Stormwater drainage services will be delivered by Auckland Council’s Infrastructure and Environmental Services Department (see Chapter 18, “Infrastructure and Environmental Services” for details).

- consistent with the effective conduct of its undertakings and the maintenance of the long-term integrity of its assets; and
- (b) must not pay any dividend or distribute any surplus in any way, directly or indirectly, to any owner or shareholder; and
- ...
- (d) must have regard for public safety (for example, the safety of children in urban areas) in relation to its structures.⁸

Stakeholder management

- 6-10 The Auckland Council, through the governing body (the mayor and 20 councillors), is responsible for the governance relationship with Watercare. As a result, Watercare will work within a framework of regional strategies and accountabilities, such as the spatial plan adopted by Auckland Council, a statement of corporate intent (SCI), and the council's CCO governance and monitoring unit.⁹
- 6-11 In addition, Watercare recognises that liaison with the local boards will be necessary. For example, Watercare would liaise with a local board if it were planning to construct a major water main that would have significant effect on residents and services in the local board's area. Watercare would also consult directly with affected residents.

How the CCO was formed

- 6-12 In the 1980s Auckland regional water services were managed by the Auckland Regional Authority, which became the Auckland Regional Council (ARC) in 1989. Watercare was established as a local authority trading enterprise and incorporated in 1991. The company began independent operations when it took over the Water Services Division of the ARC in 1992 before ownership was transferred from the ARC to the Auckland Regional Services Trust in 1993. A 1998 amendment to the Local Government Act 1974 dissolved the Auckland Regional Services Trust and transferred all the shares in Watercare to six Auckland territorial authorities. Franklin District Council was not a shareholder. With the passage of the Local Government Act 2002, Watercare moved from being a local authority trading enterprise to become a CO.
- 6-13 The Royal Commission on Auckland Governance then recommended that Watercare become the vertically integrated regional provider of water and wastewater services for the Auckland region. This was confirmed through the 2009 and 2010 Auckland local government reform process.
- 6-14 Accordingly, on 1 November 2010 Watercare took over the business of the region's local network operators to become the integrated water and wastewater services provider for the Auckland region (except for Papakura which is the subject of a franchise agreement with United Water) as a wholly owned subsidiary of the Auckland Council.
- 6-15 Watercare will remain a CO until 30 June 2012, when it will become a council-controlled organisation.¹⁰ The statutory obligations of a CO and CCO are similar, and Watercare will continue

⁸ Auckland Council Act, section 57(1) was inserted by the Auckland Council Amendment Act, section 31.

⁹ See Chapter 4, "Council-Controlled Organisations: Overview" for more information on Watercare's accountability arrangements as part of the Auckland Council, including a description of the role of the CCO governance and monitoring unit.

¹⁰ Under the Local Government (Auckland Transitional Provisions) Act 2010, section 17, and Local Government Act 2002, section 124, for the period until 30 June 2012 Watercare (and any subsidiary) is to be treated as if it were "a local authority, council-controlled organisation, or a subsidiary of a council-controlled organisation, that provides water services".

to prepare and present comprehensive and transparent reporting consistent with the statutory requirements of a CCO.

How Watercare will achieve its purpose and objectives

- 6-16 As the regional provider of water and wastewater services Watercare will play a critical role in the health, prosperity, and well-being of Auckland's communities. The previous company had a sound record as a good corporate citizen, committed to the delivery of cost-effective services considering the social, economic, and environmental impacts of decisions, as well as transparent and accountable reporting. The integrated company continues this commitment but across a wider range of services (see below).
- 6-17 As a regional water and wastewater services provider Watercare will work collaboratively with other stakeholders to ensure community-focused outcomes are achieved. The Three Waters Strategy in 2007 was an excellent example of collaborative work with the region's councils and network operators to deliver regional benefits. Watercare anticipates continuing to participate in regional planning processes – and in particular the development of the inaugural Auckland spatial plan¹¹ – to ensure the infrastructure needs of the region are well understood and appropriately integrated in order to meet current and future social, economic, and environmental needs in the most cost-effective way.

Watercare activities

- 6-18 The CCO's primary activities are
- collection, treatment, and distribution of drinking water to the people of Auckland
 - collection, treatment, and disposal of wastewater from the people of Auckland
 - collection of trade waste charges for the transfer, treatment, and disposal of trade wastes
 - provision of commercial laboratory services in support of its business activities.

Performance measures

- 6-19 In consultation with the Auckland Transition Agency ("Transition Agency"), the local network operators, and the Shareholder Representative Group,¹² Watercare prepared an SCI to cover the period from 1 July 2010 through to 30 June 2011. The SCI includes agreed performance measures for the integrated business that became effective from 1 November 2010 (see Table 6-1 opposite).
- 6-20 Early in 2011 Watercare anticipates beginning a dialogue with the Auckland Council to develop a new SCI, which will become effective for the period 1 July 2011 to 30 June 2012.

Structure

- 6-21 Watercare will operate as a limited liability company (under the Companies Act 1993) and a CO until 30 June 2012 (and then a CCO) of the Auckland Council (under the Local Government Act 2002).
- 6-22 The Local Government (Auckland Transitional Provisions) Act 2010 ("Transitional Provisions Act") provided for the current Watercare Board of Directors to remain unchanged on 1 November 2010.

¹¹ For more information on the spatial plan see Chapter 13, "Planning and Policy".

¹² Representatives appointed from each of the six Auckland territorial authorities that owned Watercare in the transition period.

Table 6-1: Agreed performance standards included in Watercare's 2010 statement of corporate intent

| Sustainability policy | Strategic performance objective | Performance measure <i>Strategic initiatives and tactical targets</i> |
|---|--|---|
| <p>ENVIRONMENTAL CARE:</p> <p>To minimise the adverse impact of the company's operations on the environment.</p> | <ol style="list-style-type: none"> 1. To promote conservation of the region's water resources. 2. To promote to industry cleaner discharges 3. To minimise the impact of carbon on the environment. 4. To use energy efficiently and where appropriate recover energy from operational activities. | <ul style="list-style-type: none"> • To develop and initiate implementation of a regional water efficiency and conservation plan for the integrated company by 30 June 2011. • To maintain regional unaccounted for water losses at less than 17.7 million m³. (<i>Applicable from 1 November 2010</i>) • To achieve a 'Bb' grade as set out in the 2003 NZWWA guidelines for the safe application of biosolids to land. • To achieve a 75% CO₂ equivalent reduction from 1990 levels for each of the next three years. • To target 35% of energy needs sourced internally for each of the next three years. |
| <p>HEALTH, SAFETY, and WELL-BEING:</p> <p>To be an industry best workplace.</p> | <ol style="list-style-type: none"> 5. To promote staff productivity and well-being. 6. To provide comprehensive training and development programmes. 7. To provide employees with safe working conditions. | <ul style="list-style-type: none"> • To attain a lost-time injury frequency rate of less than or equal to 5. • To target an unplanned absenteeism rate of 2.5%. • To target over 20 training hours per employee per year. • To target a ratio of less than 2.25 of external to internal appointments. • To maintain the tertiary level ACC workplace management practices accreditation. |
| <p>STAKEHOLDER RELATIONSHIPS:</p> <p>To be responsive to stakeholder requirements.</p> | <ol style="list-style-type: none"> 8. To engage with stakeholders in a transparent and collaborative manner including the company's Māori, environmental and consumer advisory groups. 9. To provide leadership within the water industry and participate in public policy initiatives and statutory submissions. 10. To promote appropriate educational and recreational initiatives. 11. To maintain sound governance and contribute to the development of a productive working relationship with the SRG. | <ul style="list-style-type: none"> • To consult with all appropriate stakeholders in regard to key infrastructure projects. • To consult with relevant stakeholders in the development of the Regional Asset Management Plan, including major projects. • To obtain annual feedback from the company's advisory groups on the consultation process. • To report on the number of policy initiatives and key submissions made per annum. • To continue with the Rain Forest Express, the 'Adopt a Stream' and other educational programmes as appropriate. • To hold briefings with the SRG at least once every 6 months and undertake Council briefings as requested. |

Table 6-1, contd

| Sustainability policy | Strategic performance objective | Performance measure <i>Strategic initiatives and tactical targets</i> |
|---|---|--|
| <p>CUSTOMER SERVICE COMMITMENT:</p> <p>To provide high-quality products and meet customer service level requirements.</p> | <p>12. To supply high quality and reliable drinking water.</p> <p>13. To provide for the safe transportation, treatment and disposal of bulk wastewater.</p> <p>14. To be responsive to customer needs and to deliver a service meeting contractual standards.</p> | <ul style="list-style-type: none"> • To maintain the public health grading of water treatment and networks of 'Aa'. • To ensure that demand can be met in a drought with a 1% probability of occurrence with 15% residual capacity in its reservoirs. • To target no more than 15 dry weather sewer overflows per 100 km of wastewater pipe length per annum.¹ • To achieve 100% compliance with the LNO contracts to 31 October 2010. |
| <p>ASSET MANAGEMENT:</p> <p>To manage and maintain the long-term integrity of assets.</p> | <p>15. To develop and implement effective and efficient capital investment and maintenance programmes.</p> <p>16. To maintain a focus on integrated planning with the customers to secure long-term wastewater solutions and manage regional wet weather overflows.</p> | <ul style="list-style-type: none"> • To ensure that capital projects have robust business cases and are delivered to plan. • To continue with the implementation of the reliability centred maintenance (RCM) system on strategic assets. • To facilitate a process to agree regional environmental objectives, including the setting of wastewater overflow performance targets for each of the region's key receiving water environments, within three years. • To progress planning associated with the Central Interceptor. |
| <p>ECONOMIC PERFORMANCE:</p> <p>To manage the business efficiently at minimum prices and to operate on a least-cost philosophy subject to fulfilling other environmental, social and legislative requirements.</p> | <p>17. To ensure that financial strategies are consistent with achieving economic efficiency, intergenerational equity and an optimal cost of capital.</p> <p>18. To ensure that the regime for the pricing of water and wastewater services is enduring, transparent and reliable.</p> <p>19. To promote continuous improvement in sustainable business performance.</p> <p>20. To ensure efficiency in operational expenditure is maintained.</p> | <ul style="list-style-type: none"> • To meet the requirements of the Auckland City Council (Auckland Council) Guarantee of Watercare's debt. • To achieve a minimum funds flow from operations to interest cover of 2.5 times before any price adjustments. • The pricing methodology enables the revenue to be set to recover all costs and provide for an adequate level of debt servicing. • The pricing methodology established cannot be changed without Watercare providing the LNO customers with three years' advance notification of a change. <i>(Not applicable from 1 Nov 2010)</i> • To continue to use the Project Improve initiative as the vehicle to deliver continuous improvement in business performance. • To meet operational efficiency targets (excluding depreciation and interest) established in the December 2009 AMP as follows: 2011 – \$94.09 million. • To report operational expenditure relative to budget for water, wastewater and capital expenditure. |

Table 6-1, contd

| Sustainability policy | Strategic performance objective | Performance measure <i>Strategic initiatives and tactical targets</i> |
|--|--|---|
| <p>CUSTOMER SERVICES PERFORMANCE (Integrated business)</p> <p><i>Note: these objectives and measures will be effective from 1 November 2010 and will be reported quarterly to the Auckland Council.</i></p> | <p>21. To maintain delivery of cost-effective services.</p> <p>22. To maintain delivery of high quality water and wastewater services.</p> <p>23. To maintain good customer relationships.</p> <p>24. To maintain service capacity.</p> <p>25. To restore service capacity.</p> <p>26. To accurately measure and report future levels of customer service performance.</p> | <ul style="list-style-type: none"> • To maintain the average household bill at less than 1.5% of the average household income. • To achieve less than five water quality complaints per 1,000 customer connections. • To ensure 95% of all enquires are responded to in a meaningful way within 10 working days. • To ensure greater than 95% of customers receive 3 days notice of planned shut-downs. • To achieve an average call centre operator connect time of <30 seconds. • To monitor the effectiveness of customer communications over integration. • To maintain a water interruption frequency of <10 per 1000 connections² • To maintain the frequency of sewer breaks and chokes (unplanned interruptions) at <10 interruptions per 1000 properties. • To ensure that at least 90% of unplanned water shutdowns are restored within 5 hours. • To ensure that at least 98% of wastewater blockages are responded to within one hour. • To develop a service level index relevant to the integrated business by 1 March 2011. |
| <p>INTEGRATION OF REGIONAL WATER AND WASTEWATER SERVICES</p> | <p>27. To successfully transition retail water and wastewater services to Watercare.</p> | <ul style="list-style-type: none"> • To ensure all critical elements of Project One³ are achieved by 1 November 2010 ensuring a successful transition to an integrated water and wastewater services company. • To complete Project One within budget. |

Notes: ¹ The definition for a dry weather sewer overflow is as used by the Auckland Water Industry Operators Guide 2007/08. Details of this measure and appropriate targets will be reviewed with the Auckland Council.

² Rather than estimating the number of properties affected by interruptions a more accurate measure has been used which is the number of interruptions per 1000 connections. This measure is consistent with that used in the 2007/08 Auckland Water Industry Performance Report.

³ Project One consists of experts tasked with the process of integrating the LNOs and their retail water and wastewater services into Watercare (see paragraph 6-27 for more detail).

Abbreviations: ACC, Accident Compensation Corporation; AMP, Asset Management Plan; LNO, local network operator; NZWWA, New Zealand Water and Wastes Association; SRG, Shareholder Representative Group.

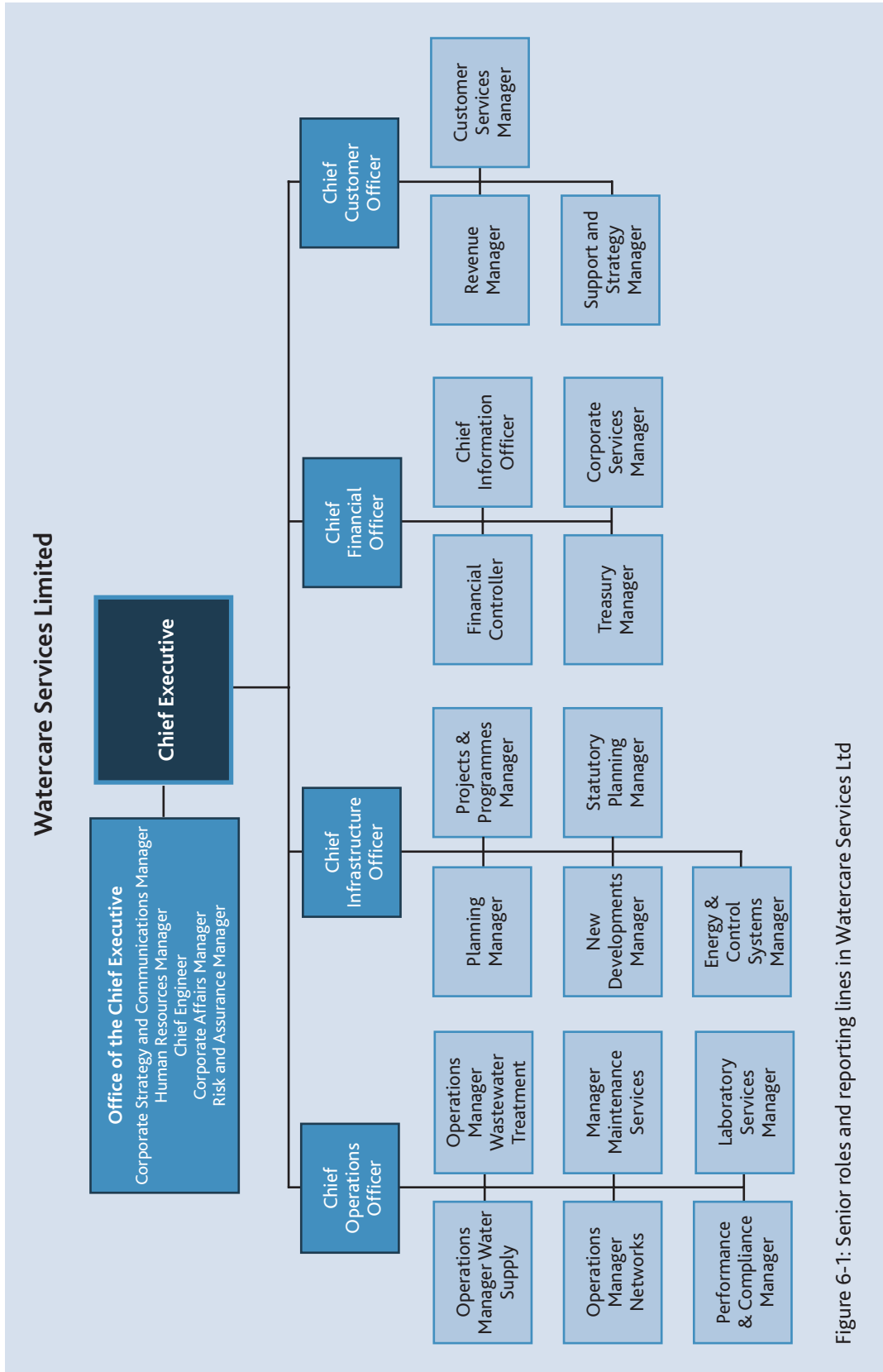


Figure 6-1: Senior roles and reporting lines in Watercare Services Ltd

The board comprises Graeme Hawkins (Chairman), Ross Keenan (Deputy Chairman), David Clarke, Susan Huria, Peter Drummond, Patrick Snedden, and Jeff Todd.

- 6-23 The integrated company has 645 staff structured around four functional business units – Infrastructure, Operations, Customer Service, and Finance – as well as an Office of the Chief Executive which includes Human Resources, Corporate Strategy and Communications, Chief Engineer, Corporate Affairs, and Risk and Assurance.
- 6-24 The structure of Watercare is illustrated in Figure 6-1 opposite.

Accommodation

- 6-25 The new organisational design and associated accommodation requirements for Watercare are based upon the following operating principles:
- There will be a single service centre at East Tāmaki, which will be the focus of all customer-facing activities.
 - The service centre will be supported by a limited customer enquiry capability in the former city council offices at Waitakere and on the North Shore, and at the corporate headquarters in Newmarket.
 - The corporate headquarters will remain in Newmarket and that office will continue to house the central control room.
 - Operational hubs will be created on a geographical basis to provide the greatest flexibility to cover the large distances in an efficient manner. There will be two water and two wastewater control hubs to provide appropriate disaster recovery capability.
 - There will be three supply areas for water and wastewater networks (Northern, Central, and Southern). Treatment and network management will be combined wherever possible.

2: Transition

- 6-26 As required under the Reorganisation Act, Watercare was tasked with managing the integration of the water and wastewater businesses in Auckland with oversight from the Transition Agency.¹³
- 6-27 In early 2009 Watercare formed “Project One” to manage and implement the changes required for the transition of local network operation services to Watercare. Project One has enabled the required people, systems, and processes to be in place for Day One and minimises the risks of customer impacts from transition.
- 6-28 An overall organisation change programme was designed to
- provide an effective and efficient transfer of responsibilities on 1 November 2010
 - establish a sound platform for organisation development beyond the transition date
 - provide alignment between Watercare and the Auckland Council on all relevant processes
 - establish clear protocols for governance
 - establish appropriate liaison with all stakeholders.

¹³ Reorganisation Act, section 30A, inserted by Auckland Council Act, section 43.

The integration process

- 6-29 Watercare managed the integration process via three key workstreams (customer, operations, corporate) and four supporting teams (information systems, legislation and governance, people and communications). The project was run by a Programme Management Office reporting directly to Watercare's chief executive, the Watercare board, and the Transition Agency on a regular basis.
- 6-30 Key aspects of the integration process were delivering customer services, financial planning (in particular, the determination of new tariffs), operations planning, and information technology infrastructure. These are covered in the following sections.

Customer services

- 6-31 Where previously Watercare had just six customers,¹⁴ from 1 November 2010, the organisation will take responsibility for retailing activities to approximately 450,000 customers previously managed by the territorial authorities or local network operators. The exception is Papakura, which is the subject of a franchise agreement with United Water.
- 6-32 Retailing services include responding to requests for service from customers, providing information as requested by customers, providing accurate and timely bills, managing key accounts, customer debt management, and management of complaints.
- 6-33 To support this new capability, Watercare has
- created a single service centre from which the majority of customer engagements will be managed
 - consolidated key customer and water billing processes
 - created an easy to understand customer invoice with a standard look and feel effective from 1 November 2010
 - instituted development of policies and plans to guide the delivery of a consistent service experience for customer engagements
 - enhanced the Watercare brand to reflect the additional role as a water retailer that will now have a more direct relationship with 430,000 customers including new stakeholders and community groups.
- 6-34 The vast majority of customers are unlikely to have a personal interaction with Watercare and their only engagement will be through meter reading and invoicing. As a result, management of customer perceptions will be important to managing customer advocacy which, in a monopolistic environment, will be a key marker of success.
- 6-35 Therefore a broad understanding of customer needs and wants, which will be obtained through ongoing customer research, will assist in shaping the future brand and image of Watercare. The customer service business unit will direct customer engagement strategies that have an impact on Watercare's brand and impacts on customer perception.

¹⁴ The customers were the city or district councils (Waitakere, North Shore, and Rodney) or the local network operators (Metrowater, Manukau Water, United Water).

Funding plan

- 6-36 Among the key changes from a corporate perspective is management of funding for the integrated organisation.
- 6-37 A funding plan was developed to determine the revenue requirement for the integrated Watercare. The objective is to effectively and efficiently fund the delivery of regional water and wastewater services. This means collecting sufficient revenue and adequate debt funding to sustain the operations of the company after accounting for the synergies of integration and after giving consideration to intergenerational equity and financial gearing.
- 6-38 The major revenue streams include water and wastewater revenue, infrastructure growth, connection charges, and trade waste. As a result of the development of the funding plan, a detailed budget for the eight months ending 30 June 2011 was prepared.¹⁵ The budget will help Watercare manage the expected savings through the integration process.

Water and wastewater tariffs

- 6-39 A very significant factor in the integration process was the determination of tariffs for water and wastewater services. Watercare expects a significant change for a large number of customers across the Auckland region with regards to water and wastewater charges. From 1 July 2011 the water price in the metropolitan area will reduce to \$1.30 per cubic metre (including GST). A new regional wastewater tariff will come into place on 1 July 2012, after discussion with Auckland Council.
- 6-40 An overall pricing strategy has been developed to enable the key principles to be applied consistently across each revenue stream. The initial tariff work for water was completed in April 2010 and submitted to the Transition Agency. A tariff model was then developed and tested against various tariff scenarios to assess the impact on customers. The principles and programmes being applied are described below.

Tariff principles

- 6-41 A range of tariff and pricing relevant requirements are embedded in the Auckland Council Act and the Transitional Provisions Act. These include the following:
- Until the end of 30 June 2012, Watercare Services Limited must ensure that water and wastewater services are costed and priced separately.¹⁶
 - An Auckland water organisation (which at least until 1 July 2015 means Watercare Services Limited¹⁷) must manage its operations efficiently with a view to keeping the overall costs of water supply and wastewater services to its customers collectively at the minimum levels consistent with the effective conduct of its operations and the maintenance of the long term integrity of its assets.¹⁸
 - An Auckland water organisation must give effect to the relevant aspects of the long-term council community plan (LTCCP).¹⁹

¹⁵ See *Your Auckland, Auckland Council's Long-term Plan, 1 November 2010–30 June 2019, Volume 4: Council-controlled organisations*, p. 22 (available from www.aucklandcouncil.govt.nz, accessed November 2010).

¹⁶ Transitional Provisions Act, section 18(d).

¹⁷ Transitional Provisions Act, section 24.

¹⁸ Auckland Council Act, section 57(1)(a), inserted by the Auckland Council Act, section 31.

¹⁹ Auckland Council Act, section 58(1), inserted by the Auckland Council Act, section 31.

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- An Auckland water organisation must act consistently with the relevant aspects of any other plan (including a local board plan) or strategy of the council to the extent specified in writing by the governing body of the council.²⁰
- 6-42 Watercare's obligations to give effect to the Auckland Council's LTCCP and council policy do not authorise non-compliance with Watercare's obligations in section 57 of the Auckland Council Act, including the obligation to be a minimum-cost provider.
- 6-43 In addition to legislative requirements, a range of principles were developed, presented, and approved by the Watercare board in a tariff principles policy paper in February 2010, and are relevant to the setting of an appropriate general tariff structure for Watercare:
- *Fairness*. Is it reasonable from the point of view of different customer segments? Do users imposing higher costs on the company pay more?
 - *Equity*. Are users of similar volumes treated similarly?
 - *Efficient use of resources*. Are customers given an incentive to use water and/or manage wastewater efficiently?
 - *Financial sustainability*. Does the tariff structure enable Watercare to recover the required revenue, with minimum pricing, without unacceptable risk?
 - *Affordability*. Will bills be affordable for all customer segments?
 - *Transparency and simplicity*. Are customers able to see how they are charged and why?

Tariff options

- 6-44 A spectrum of options for the general water and wastewater tariff exists. The options vary primarily in the extent to which the tariff is fixed or volumetric.
- 6-45 Fully fixed tariffs imply a uniform charge across all customers regardless of consumption volume. In terms of the above principles, fixed tariffs are very simple and transparent but have lower conservation signals. On the other hand, a fully volumetric charge provides a good conservation signal, but can present affordability issues for higher-volume users and can make the attainment of Watercare's financial targets more sensitive to demand fluctuations.
- 6-46 A range of more exotic tariff options are also available. These include tariff regimes based on the time of use (daily or seasonally) and the level of consumption (inclining block tariffs²¹). Generally, the implementation of these forms of tariff is driven by extreme conditions, such as severe drought. However, such artificial tariff mechanisms often suffer from a lack of justification of the thresholds they contain, such as seasonality pricing which does not comply with actual seasonal patterns on a year-to-year basis, or the arbitrary designation of thresholds in inclining block tariff models. The application of seasonality or time-of-use pricing also requires smart metering (for which the business case does not presently make financial sense) or relatively complex apportionment of different tariffs to bills based on quarterly meter readings.
- 6-47 Australian retail operations have in some cases implemented inclining block tariff systems, ostensibly to deal with the drought conditions in Queensland, New South Wales, and Victoria. Issues with the justification of the thresholds in this tariff system and social equity considerations have seen these tariff models revoked for both residential and commercial customers in recent years in favour of simpler tariff structures.

²⁰ Auckland Council Act, section 58(2), inserted by the Auckland Council Act, section 31.

²¹ With inclining block tariffs, unit prices are constant over some range of customer consumption but are higher at higher levels of consumption.

Table 6-2: Tariff implementation schedule

| Period | Water | Wastewater |
|---|--|--|
| 1 Nov 2010–30 June 2011 MW & MWL | According to LTCCP/FP, billed and collected by Watercare | According to LTCCP/FP, billed and collected by Watercare |
| NSCC, WCC, RDC, FDC | According to LTCCP/FP, billed and collected by Watercare | According to LTCCP/FP, billed and collected by AC and then paid to Watercare |
| 1 July 2011–30 June 2012 MW & MWL | Regional tariff billed and collected by Watercare | According to LTCCP/FP, billed and collected by Watercare |
| NSCC, WCC, RDC, FDC | Regional tariff billed and collected by Watercare | According to LTCCP/FP, billed and collected by AC and then paid to Watercare |
| 1 July 2012 All Watercare customers | Regional tariff billed and collected by Watercare | Regional tariff billed and collected by Watercare |

Abbreviations: AC, Auckland Council; FDC, Franklin District Council; LTCCP/FP, long-term council community plan/funding plan; MW, Metrowater; MWL, Manukau Water; NSCC, North Shore City Council; RDC, Rodney; WCC, Waitakere City Council.

6-48 Given the lack of a driving reason (such as severe drought) for such a tariff model and the significance of the change in standardising regional water and wastewater changes, Watercare decided against pursuing such exotic tariff models for the integration process.

Regional tariff development process

6-49 For the year commencing 1 July 2010 water and wastewater tariffs have been set by Metrowater, Manukau Water, and the councils at the levels specified in their LTCCP/funding plans. These tariffs differ throughout the region in terms of the charge per cubic metre for water. In addition a volumetric charge for wastewater will continue in the former Auckland City area and for business consumers in the former Manukau City area, while other areas will have differing fixed charges for wastewater.

6-50 It is proposed to standardise the regional water tariff from 1 July 2011, with a regional wastewater tariff implemented when the Auckland Council implements its new rating system (1 July 2012). This schedule enables a smooth and gradual implementation of the regional tariff structure, and is illustrated in the suggested tariff implementation schedule of Table 6-2.

6-51 Until 1 July 2012, the wastewater charge components of property rates bills will continue to be collected by the Auckland Council, and passed to Watercare. It should be noted, however, that already around 40 percent of the population of metropolitan Auckland is subject to a volumetric wastewater charge, which will be collected by Watercare. From 1 July 2012, Watercare will bill for all wastewater, to coincide with changes in the rating process.

6-52 The Transitional Provisions Act provides as follows:

- The Auckland Council is authorised to collect and deal with rating matters for 2010/2011 and previous financial years. The Auckland Council may exercise all powers and perform all duties as if it had itself set the rates set by an existing local authority prior to 1 July 2010. Any money

collected by the Auckland Council in respect of water supply or wastewater services provided by Watercare is to be paid to Watercare as soon as practicable.²²

- In 2011/2012 the Auckland Council must set a wastewater rate for each rating unit within Auckland that does not pay for its wastewater services by direct charging. This wastewater rate must be set at a level sufficient to meet the wastewater revenue requirements of Watercare, and the money received from the rate is to be transferred to Watercare as soon as practicable.²³

6-53 After 1 July 2011 and 1 July 2012 the Auckland Council will not have any express statutory responsibility for water supply rating and wastewater rating respectively. After those respective dates Watercare will be able to set water supply and wastewater tariffs across the region for the services it provides and this is not inconsistent with the Transitional Provisions Act.

6-54 It is anticipated that there will be one general water and wastewater tariff for the serviced metropolitan area. This principle, known as postage stamp pricing, reflects the general inability to accurately assign costs to small geographic areas serviced by a wider network system, and is common to most tariff structures within a contiguous network.

6-55 Further analysis will also be required to determine an appropriate tariff regime for standalone plants outside the metropolitan network.

6-56 The suggested process for developing regional water and wastewater pricing involves modelling a range of fixed, volumetric, and combination (i.e. partially fixed and partially volumetric) tariffs for water and wastewater for the commercial and residential customer segments. This modelling will provide indications of the effect of different tariff scenarios and allow an informed decision on an appropriate regional water and wastewater tariff to be made.

6-57 The following process, leading up to an envisaged announcement of the regional water and wastewater tariff and implementation time frame, has been proposed.

Jan/Feb 2011: Funding Plan developed. Revenue requirement set and advised to Auckland Council for inclusion in the council's annual plan.

May 2011: Water regional tariff set. Individual wastewater tariffs set for Metrowater and Manukau Water (revenue requirement for other areas to be set by Watercare and collected by Auckland Council).

Jan/Feb 2012: Funding Plan developed. Revenue requirement set and advised to Auckland Council for inclusion in the council's annual plan.

May 2012: Announce regional water and wastewater tariffs commencing 1 July 2012.

Summary of integration process for water and wastewater tariffs

6-58 From 1 November 2010 Watercare will directly charge for water all customers who were previously billed by Metrowater, Manukau Water, and the local councils. From 1 November 2010 Watercare will directly charge for wastewater those customers who were previously billed by Metrowater and Manukau Water. For the other areas of the region, Auckland Council will recover wastewater charges

²² Transitional Provisions Act, section 32.

²³ Transitional Provisions Act, section 34.

through rates and pass these funds to Watercare. This arrangement for wastewater will continue until 30 June 2012. From that date Watercare will directly charge all customers for wastewater. The exception to the above will be those properties serviced by United Water in the Papakura area. United Water will operate the local network and invoice its customers under an existing franchise agreement.

- 6-59 As part of the reform process, work was undertaken in advance of integration to enable an announcement on the water price. From 1 July 2011 Watercare will introduce a standardised metropolitan water tariff, resulting in lower water prices for the majority of Aucklanders. (See media release attached as Appendix 6-B on page 508.)

Procurement

- 6-60 Procurement is an area with the potential to have a big impact on the delivery of a lower price for water and wastewater to Aucklanders.
- 6-61 Because there are a number of relatively fixed costs, the focus on controlling variable costs has been paramount. The biggest area of savings over time is expected to be in the maintenance contracts, which, through rationalisation and applying a consistency in service levels over time, will reap significant benefits to Watercare.
- 6-62 Other key deliverables of the work on corporate matters included insurance, financial system, taxation, accounting policies, banking treasury, and debt guarantee.

Operations

- 6-63 A comprehensive operational strategy is being developed covering the specific water and wastewater systems for which Watercare is responsible.
- 6-64 The key proposals made in the development of this strategy included the following:
- Water and wastewater are distinct and mutually exclusive operations and there will be limited staff crossover across the integrated organisation because of different skill set requirements (except in some support roles).
 - Operational hubs will be created on a geographical basis to provide the greatest flexibility to cover the large distances in an efficient manner. These will be based at Rosedale Wastewater Treatment Plant (or close available suitable accommodation), Mangere Wastewater Treatment Plant, Ardmore Water Treatment Plant, and Huia Water Treatment Plant.
 - Core operations, planning, project delivery staff, and central control are in one central location, with local delivery staff working out of operational hubs on an as-required basis for specific projects.
 - There will be three supply areas for water and wastewater networks (Northern, Central, and Southern) defined on size, strategic assets, and catchment boundaries to result in relatively even-sized areas.
 - All existing maintenance contracts for the local systems will be continued until their natural termination. These will be modified as necessary to remove stormwater obligations, which become the responsibility of Auckland Council (see Chapter 18, "Infrastructure and Environmental Services").

- In the interim, the current mode of operation of the non-metropolitan schemes will be continued, but with transfer of monitoring (and potential ability to control) to an operational hub.
- A strategy will be implemented to have local system maintenance provided through outsourced contracts aligned to the three supply areas.
- A strategy will be developed to consistently manage trade waste throughout the region. It is anticipated that a common approach will be taken in establishing discharge consent limits, actions for non-compliance, and customer management.
- The provision of operational planning is considered core business to ensure the long-term integrity of the assets and consequently the majority of planning work will be carried out by in-house resources, utilising specialists as required.
- Planned projects will be driven by a new regional Asset Management Plan. All projects will be prioritised to ensure Watercare manages its operations efficiently with a view to keeping costs at minimum levels consistent with the long-term integrity of its assets.
- Projects that represent high values (typically greater than \$1 million) in risk or corporate reputation will be managed using in-house resources. Those of lower value can be managed through a mix of in-house and outsourced resources.
- A strategy for the management of risk of damage by third parties will be developed. It is anticipated that the current “works over” procedures will be extended to the strategic network assets of the local network operators.²⁴
- The management of new connections and developments will be re-engineered to recognise the value of these customers, to streamline the process and to ensure time frames are minimised.

Supporting IT infrastructure

6-65 The integration process has also been enabled by a series of IT projects that will provide a consistent platform for Watercare’s retail operations. Summary key deliverables include the following:

- *Enterprise Resource Planning (ERP)*. To ensure the retail operation operates effectively on Day One, the asset information, financial data, and billing functions of the local network operators have been consolidated into a Hansen/Finance One ERP system. This was and will continue to be a major part of the integration project. Hansen/Finance One is used, in various ways, by the majority of the seven retailers involved in the integration. Watercare currently uses Mozaic as an ERP system for the bulk water and wastewater business. As a separate project an SAP ERP system is being introduced to replace Mozaic. Although strictly outside of the change management process for the integration, the SAP platform will eventually be the system for the eventual consolidation of the bulk business (ex Mozaic) with the retail business (Hansen/Finance One). This is likely to take place within 18 months of Day One.
- *Geographic information systems (GIS)*. The existing GIS platform used by Watercare has been expanded to provide a consistent, consolidated spatial information system for all the assets of the combined business, covering both retail and wholesale.
- *Websites*. The new retail business will be heavily reliant on the internet to communicate information to its customers as well as providing customers with services such as self-service online invoice viewing and payment. In addition, the intranet is an important tool within

²⁴ “Works over” procedures refers to approval for work over or in the vicinity of Watercare assets and networks to avoid damage and maintain safety.

Watercare and is the gateway through which employees locate critical information and services. The information services project team reviewed the current internet and intranet capabilities across Watercare and the local network operators and integrated them into a Watercare-branded solution for Day One.

- *Infrastructure*. There are a number of sub-projects which made up the infrastructure project, including
 - a comprehensive call centre for the customer service centre at East Tāmaki
 - desktop and back-office integration across the new enterprise, with emphasis on meeting Day One requirements
 - a security systems review and upgrade.

Unfinished business

- 6-66 Although Watercare took responsibility for regional water and wastewater services from 1 November 2010 there will still be a transitional period for some customer billing because of transitional rating policies.
- 6-67 In these cases the Auckland Council will continue to collect some wastewater rates, which will then be transferred to Watercare. Furthermore, any rates or developer contributions collected by the Auckland Council after 1 November 2010 relating to water supply or wastewater disposal as a result of transitional Council bylaws will also be transferred to Watercare.
- 6-68 Other transitional arrangements after 1 November 2010 have been noted previously:
- From 1 July 2011 Watercare will directly charge for all water supplies, except for those properties serviced by United Water. The Auckland Council will continue to rate for wastewater for those properties that were liable for a wastewater rate under the former councils' rating policies.
 - From 1 July 2012 Watercare will directly charge for all water supply and wastewater disposal where it provides services.
- 6-69 Despite the governance reform changes, Watercare is still required to meet the Watercare-specific provisions of the Local Government Act 1974, as well as relevant amendments to the Auckland Council Act, which include an obligation to manage the business efficiently with a view to keeping the overall costs to customers (collectively) at minimum levels consistent with maintaining the long-term integrity of assets, including
- an obligation not to pay a dividend or surplus
 - a requirement to have regard to public safety in relation to Watercare's structures.

7

Auckland Council Investments Limited

Auckland Council Investments Limited (ACIL) is the council-controlled organisation (CCO) responsible for bringing a strong commercial focus to Auckland Council's major investment assets including its shareholding in Auckland International Airport Limited and Ports of Auckland Limited.

- 7-1 This chapter outlines arrangements for ACIL, one of the substantive CCOs established within the Auckland Council governance structure. The chapter has three sections.
- 7-2 Section 1 provides a general overview of the CCO and its orientation within Auckland Council. It then describes the purposes and objectives of the CCO and how they will be achieved. Section 2 outlines ACIL's structure and the way in which its activities will be undertaken, including the role of the board and the resources that will initially be employed in the process. Section 3 canvasses important transition and other matters affecting the CCO's establishment and early performance.

1: Overview

Purposes and objectives

- 7-3 ACIL has been established with the following objectives, which are included in the Order in Council that establishes ACIL:
- to bring a strong commercial focus to the ownership and governance of the Auckland Council's major investment assets
 - to provide an efficient structure for the ownership of the assets.
- 7-4 The establishment of ACIL consolidates equity investments of the previous councils and CCOs with the aim of achieving a consistent approach to investment portfolio management across the Auckland Council. This will provide a strong commercial governance framework and specialist skills in an area that is not core business of the Auckland Council. ACIL's orientation with the other substantive CCOs of Auckland Council is depicted in Figure 4-1 on page 117.
- 7-5 As at 1 November 2010, Auckland Council's major investment assets managed by ACIL included shares held in Ports of Auckland Ltd (POAL) (100 percent owned), Auckland Film Studios Ltd (AFSL) (44 percent owned), Manukau City Investments Ltd (MCIL), and Auckland Council Investments (AIAL) Ltd (ACI (AIAL)). MCIL holds the shares of the former Manukau City Council in Auckland International Airport Ltd (AIAL) and ACI (AIAL) holds the shares of the former Auckland City Council in AIAL. The combined shareholding in AIAL is 22.6 percent.

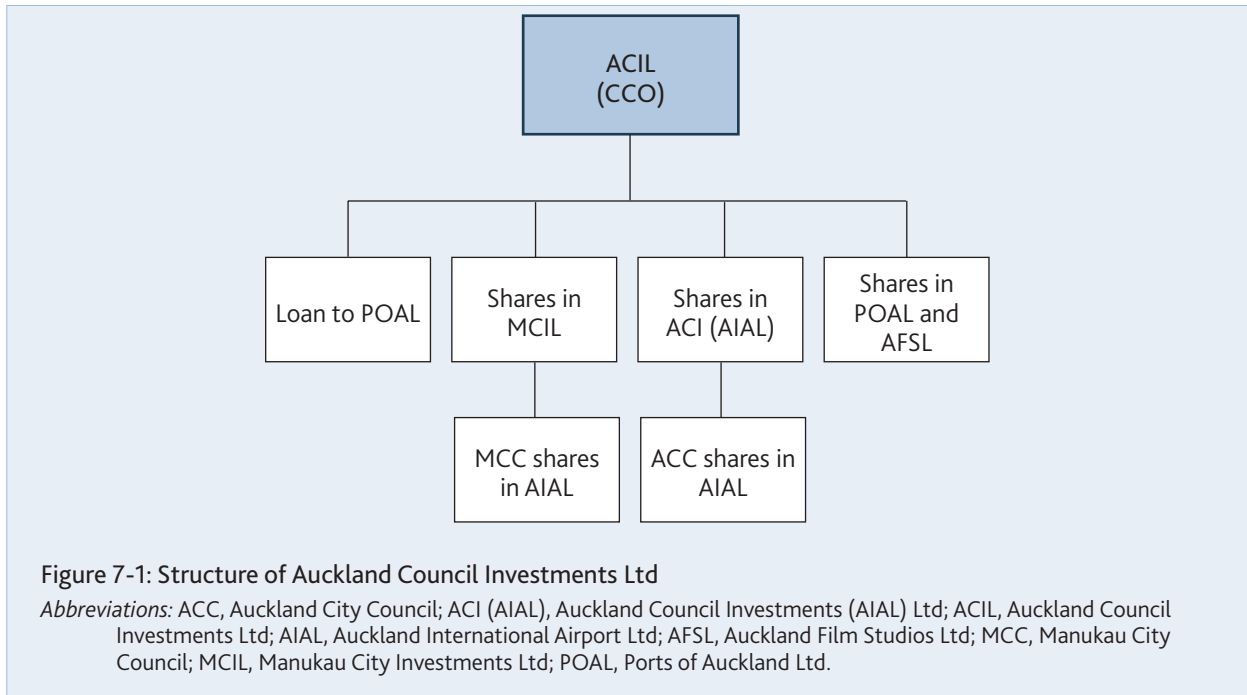
Chapter 7

- 7-6 In support of its objectives (described above) ACIL aims to
- optimise the value of the investments under its management, both in terms of short-term returns and longer-term increases in value
 - ensure the council is advised of strategic issues relating to the investments held by ACIL
 - distribute available income and other returns in a cost-effective manner, as agreed with Auckland Council.
- 7-7 When recommending the establishment of ACIL to Cabinet, the Auckland Transition Agency (“Transition Agency”) noted that sound commercial governance of these assets, within the parameters set by the Auckland Council, is important to providing financial returns to the council, ensuring that those organisations are financially sustainable in the long term, and ensuring that they make a significant contribution to the Auckland economy.¹

How ACIL will achieve its purposes and objectives

- 7-8 ACIL can add value to the integrated investments and meet the purposes and objectives in the following ways:
- by providing effective governance of the council’s investments in POAL, AIAL, and AFSL
 - by providing efficient management of the former Auckland Regional Holdings (ARH) Diversified Financial Assets portfolio and ACIL’s own financial investments
 - by managing the funding arrangements inherent in the MCIL structure, and potentially extending these to a new CCO subsidiary
 - by distributing income and capital to the Auckland Council, as agreed in the CCO’s long-term funding plan and in Auckland Council’s long-term council community plan.
- 7-9 The specific activities (previously carried out by ARH and the Auckland, Manukau, and Waitakere City Councils) that ACIL will carry out in order to meet its purposes and objectives include
- CCO governance and internal controls
 - planning and reporting
 - total portfolio management
 - corporate ownership:
 - POAL
 - AIAL
 - AFSL
 - management of financial assets, including the former ARH’s Diversified Financial Assets portfolio
 - financial management, including liquidity management
 - management of funding arrangements through subsidiaries
 - stakeholder management.

¹ Auckland Transition Agency, *Report for use in Cabinet paper: Council-controlled organisations of Auckland Council*, 28 May 2010 (available from <http://www.dia.govt.nz/>, accessed September 2010). This paper for Cabinet is also provided in Volume 2, *Attachments: Council-Controlled Organisations*.



2: Structure

Organisational form

- 7-10 ACIL will operate as a limited liability company (under the Companies Act 1993) and a wholly owned CCO of the Auckland Council (under the Local Government Act 2002).
- 7-11 The structure of ACIL is set out in Figure 7-1. Under this structure, the CCO has three wholly owned subsidiaries: MCIL, transferred from Manukau City Council and owning that council's shareholding in AIAL as well as an existing funding arrangement (with Arawata, a subsidiary of ANZ/National Bank); a second subsidiary, ACI (AIAL), which held Auckland City Council's shareholding in AIAL; and POAL, which owns and operates the Auckland port facilities.
- 7-12 This structure provides the following flexibilities:
 - It allowed Manukau City Council's \$125 million financing arrangement in MCIL to be rolled over without any significant modification, as MCIL remains a sole purpose vehicle for that financing arrangement.
 - The Auckland Council, if it so elects, is able to replicate the MCIL financing arrangement in the second corporate subsidiary, ACI (AIAL) (subject to compliance with the section 12 moratorium on the sale or other form of disposal of shares under the Local Government (Auckland Transitional Provisions) Act 2010). The Transition Agency believed that having two separate financing arrangements allows for the possibility of different banks (and therefore competitive tension on terms of lending), a spread of risk, and structural refinements as they are developed to financing options.
 - It offers the simplicity of a corporate structure in terms of compliance, governed by the Companies Act 1993 and publicly available records and filings on the Register of Companies.

Governance structure

- 7-13 Cabinet agreed that the ACIL Board would comprise up to five directors who have the relevant private sector experience and expertise to enable ACIL to deliver on its purpose and objectives.² Under section 48 of the Local Government (Tamaki Makaurau Reorganisation) Act 2009 (“Reorganisation Act”), the Minister may appoint directors to act as the chair and deputy chair of a CCO until the Auckland Council makes any appointment to these positions.
- 7-14 Subsequently, the following board members of ACIL were appointed: Simon Allen (Chair), Miriam Dean QC (Deputy Chair), and Candis Craven.³ (Auckland Council is entitled to appoint two further directors to the ACIL Board after 1 November 2010.⁴)
- 7-15 The board’s role is to govern the CCO and set its strategic direction. Decisions made by the board must be made in accordance with ACIL’s statement of intent and constitution. The SOI, negotiated annually with the Auckland Council, will incorporate the expectations of the Auckland Council as communicated to ACIL through the letter of expectations setting out Auckland Council policy and directions. The day-to-day management of ACIL is delegated to the chief investment officer.

Management structure

- 7-16 ACIL has three staff members (see Figure 7-2 opposite): a chief investment officer, a business analyst, and executive/administration support person. Their role is to manage the investments owned by ACIL and achieve its other purposes and objectives set out above.
- 7-17 Because ACIL is small in terms of staff numbers, the Transition Agency decided that efficiency would be assisted by having supporting services provided under a shared services agreement with the Auckland Council.

Size and scope

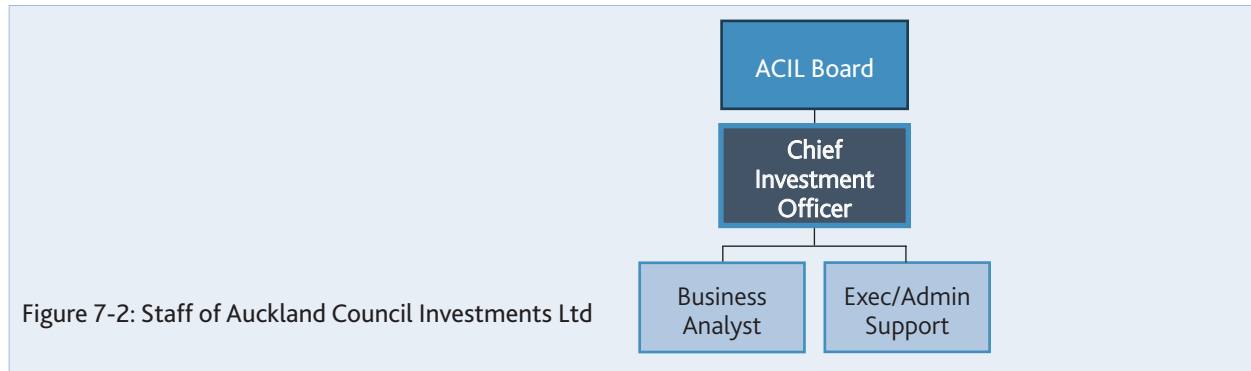
- 7-18 At establishment on 1 November 2010, ACIL held around \$1.2 billion in assets, and offsetting liabilities of \$314 million.⁵ The scope of ACIL’s portfolio relates to the specific assets vested in it, namely the efficient and effective ownership and governance of POAL, the shares in AIAL and AFSL, and its financial investments. Of the liabilities, \$168 million comprises borrowing from Auckland Council.

² Cabinet minute, “Local Government Auckland Governance Reform: Council-Controlled Organisation Structure”, 5 July 2010, CAB Min (10) 24/8.

³ Hon Rodney Hide, “Appointments to boards of Auckland Council CCOs”, Beehive media release, 30 August 2010; also *New Zealand Gazette*, No 113, 2 September 2010.

⁴ Cabinet briefing paper, “Appointments to boards of council-controlled organisations of the Auckland Council”, 24 August 2010.

⁵ See ACIL’s prospective statement of financial position in *Your Auckland, Auckland Council’s Long-term Plan, 1 November 2010–30 June 2019, Volume 4: Council-controlled organisations*, p. 30 (available from www.aucklandcouncil.govt.nz, accessed November 2010). The planning document for Auckland Council is also provided in Volume 3 of this report.



3: Transition

- 7-19 The transition arrangements managed by the Transition Agency in the establishment of ACIL involved the distribution of assets, liabilities, and other obligations achieved on 1 November 2010 as follows:
- assets, liabilities, and other obligations transferred from ARH (POAL shares and loan to POAL), Auckland City Council (AIAL shares), Manukau City Council (MCIL shares), and Waitakere City Council (AFSL shares) to ACIL in the following ways:
 - by way of Order in Council under section 36 of the Reorganisation Act – transferring from an existing local authority to a CCO
 - by way of Order in Council under section 38 of the Reorganisation Act – transferring from a terminating organisation to a CCO
 - the three councils and Auckland Regional Holdings to be dissolved on 1 November 2010.

7-20 The assets and liabilities transferred to ACIL, along with other summary financial details, are tabulated in Auckland Council's long-term plan, which constitutes Volume 3 of this report.

Impact on existing CCO boards

7-21 The transition to the ACIL structure had no impact on the boards of POAL, MCIL, and AFSL, which remained in place on 1 November 2010. After the transition period, ACIL, as shareholder in POAL, MCIL, and AFSL, can make appointments to the boards of these entities and exercise any other rights it has as shareholder, in accordance with any relevant legislative provisions (e.g. the Companies Act 1993), the companies' constitutions, and any governance expectations of the Auckland Council.

Other transition matters

- 7-22 The establishment of ACIL has been completed with an establishment board appointed, management and staff in place, and the company fully operational. However, there are a few issues that will need to be addressed by the Auckland Council after 1 November 2010:
- *Efficient funding arrangement in ACIL.* ACIL has been established with a structure that allows the Auckland Council, if it chooses, to put in place a funding arrangement similar to the existing arrangement with Arawata Finance in MCIL. The MCIL-Arawata arrangement has been an efficient method of funding for Manukau City Council, and the Transition Agency recommended that the Auckland Council introduce a second funding arrangement, similar to the MCIL arrangement, in ACIL.

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- *Board of ACIL.* ACIL has been established with an initial board of three directors appointed by the Government. Each year for the next three years, the term of one of these directors will expire. The Auckland Council may want to consider whether it wishes to appoint further directors to the ACIL Board.
- *Existing boards.* The members of the existing boards of MCIL, POAL, and AFSL will be retained as of 1 November 2010. The Auckland Council may want to consider whether it wishes to appoint further additional or different directors to those boards.
- *Strategy for Diversified Financial Assets.* ACIL has been assigned the responsibility of managing the former ARH's Diversified Financial Assets portfolio. The Auckland Council may want to consider whether it wishes to continue to hold these investments, given its substantial debt portfolio. Therefore the Transition Agency recommended that ACIL ensure sufficient liquidity exists with the portfolio investments.

8

Auckland Tourism, Events and Economic Development Limited

Auckland Tourism, Events and Economic Development Limited (TEED) is the council-controlled organisation (CCO) responsible for bringing a consistent and integrated region-wide approach to economic development, tourism, and events promotion to help lift Auckland's economic performance and support it in competing internationally.

- 8-1 This chapter outlines arrangements for TEED, one of the substantive CCOs established within the Auckland Council governance structure. The chapter is in four sections. Section 1 provides a general overview of TEED and its orientation within Auckland Council. It then describes the purposes and objectives of the CCO and how they will be achieved. Section 2 outlines TEED's structure and the way in which its activities will be undertaken, including the role of the board, and the resources that will initially be employed in the process. Section 3 canvasses important transition and other matters affecting the CCO's establishment and early performance. Section 4 describes the oversight the Auckland Transition Agency ("Transition Agency") has taken in helping preparations for Auckland's hosting of Rugby World Cup 2011.

1: Overview

Purposes and objectives

- 8-2 The objectives of TEED include
- to lift Auckland's economic well-being
 - to support and enhance Auckland's performance as a key contributor to the New Zealand economy
 - to support and enhance Auckland's ability to compete internationally as a desirable place to visit, live, work, invest, and do business.
- 8-3 The establishment of TEED rationalises and consolidates the various events and economic development activities of previous council groups/business units, CCOs, and other independent entities across the region into one CCO to achieve a consistent approach to economic development, tourism, and events promotion. It is expected that TEED will give tourism promotion, investment promotion, and sector development a more central role in the future economic development of Auckland. TEED's orientation with the other substantive CCOs of Auckland Council is depicted in Figure 4-1 on page 117.
- 8-4 In pursuit of the objectives described above, TEED will be responsible for the delivery of a significant service or activity on behalf of Auckland Council. In particular, TEED integrated and replaced the

following to enable a coordinated approach to sector and business development, events, and tourism in the Auckland region:

- the sector development and investment attraction activities of Auckland City Council's Economic Development Group
- Auckland Plus (an Auckland Regional Council stand-alone business unit)
- Tourism Auckland
- Enterprising Manukau (Manukau Enterprise and Employment Trust)
- Enterprise North Shore Trust
- the major events activities of the Auckland City Council City Events group
- Waitakere Enterprise Trust Board
- the visitor centres at Takapuna and Devonport from North Shore City Council
- the visitor information centre at Orewa from Rodney District Council.

8-5 The Transition Agency recommended that the following independent entities, or their functions, be incorporated over time through a negotiated process:

- Enterprise Franklin Development Trust
- Rodney Economic Development Trust.

How TEED will achieve its purposes and objectives

8-6 The ways in which TEED will achieve its purposes and objectives include

- providing destination management and marketing services that improve the Auckland tourism "product" and make the most of Auckland in marketing campaigns
- interacting with central government agencies such as the Ministry of Economic Development, Tourism New Zealand, and New Zealand Trade and Enterprise, as well as the private sector and non-governmental organisations, to ensure a coordinated approach to meeting economic development and tourism goals
- attracting funding, and facilitating and leveraging major events to support the economic growth and performance of Auckland
- attracting and retaining productive investment and developing high-potential economic sectors, businesses, and skills.¹

8-7 The research and data collection role will be focused on underpinning Auckland's economic development policy and implementation programmes, including areas such as skill needs across Auckland, regional exports and import breakdowns, inward and outward foreign direct investment sources and destinations, regional services, and trade.

8-8 As generally recommended by the Royal Commission,² TEED will also provide for

- effective collaboration between public (local and central government), private, and not-for-profit sectors to develop an integrated economic development strategy, events strategy, and tourism strategy specific to Auckland's needs at regional and local level
- alignment with central government policy and funding for economic development, events, or tourism that is targeted at the regional level
- combining the best of local initiatives with a regional approach for issues with region-wide impact

¹ *Your Auckland, Auckland Council's Long-term Plan, 1 November 2010–30 June 2019, Volume 4: Council-controlled organisations*, p. 39.

² Royal Commission on Auckland Governance, *Report, Volume 1*, March 2009, p. 173 at para. 7.78.

- delivering more efficiently and effectively through sharing skills and information in joint activities with central government agencies, sector groups, and others
- the ability and authority to marshal resources behind transformative projects such as the Rugby World Cup (refer "Rugby World Cup 2011" on page 194), which have the potential to deliver multiple economic development outcomes (improved transport and sporting facilities, for example) that provide a long-term legacy and the opportunity to position Auckland on the international stage with long-term benefits for tourism and other sectors
- undertaking specific economic development projects (some likely to be of major national and international importance, and others important in promoting employment and social well-being at regional or local level).

8-9 Accordingly, TEED will contribute to Auckland Council the following strategies and activities set out in the Auckland Council Planning Document (Volume 3 of this report).

Council strategies

- *Thriving economy.* TEED plays a key role in attracting people and investment, providing jobs, and supporting a good standard of living for all across the region.
- *Lifestyle choices.* TEED contributes to providing major world-class events to Auckland.

Council activities

- *Economic development.* TEED is pivotal in the delivery of the council's economic development activities including responsibility for attracting new business investment and retaining business in Auckland, providing advice and support to help businesses and industry groups grow, and delivering programmes to foster entrepreneurship and innovation.
- *Lifestyle and culture.* TEED contributes to making Auckland dynamic, exciting, and distinctive by attracting major events and providing them with logistical and operational support for their duration.

2: Structure

8-10 The Transition Agency established TEED to undertake its activities within four units: Business and Sector Development, Tourism, Events, and Corporate Services. The key activities within each of these units are summarised below (see paragraph 8-17).

Organisational form

8-11 TEED was established under the Local Government (Tamaki Makaurau Reorganisation) Establishment of Council-controlled Organisations Order 2010. TEED will operate as a limited liability company (under the Companies Act 1993) and a wholly owned CCO of the Auckland Council (under the Local Government Act 2002).

Governance structure

- 8-12 Cabinet agreed that the TEED Board would comprise up to seven directors who have the relevant private sector experience and expertise to enable TEED to deliver on its purpose and objectives.³
- 8-13 Under section 48 of the Local Government (Tamaki Makaurau) Act 2009, the Minister appointed five members of the initial board of TEED: David McConnell (Chair), Peter Drummond, Norm Thompson, John Law, and Vivien Bridgewater.⁴ (Auckland Council is entitled to appoint a further two directors to the TEED Board after 1 November 2010.⁵)
- 8-14 The Transition Agency prepared a draft constitution and SOI for the period to 30 June 2013 for the Auckland Council to consider and adopt.⁶ In order for TEED to achieve its mission to be recognised as the key influencer of the Auckland region's economic transformation, the draft SOI identifies 12 goals to pursue over the next three years, including
- significant increase in tourism expenditure and length of stay in Auckland
 - significant growth and improved productivity in focus areas
 - Auckland being recognised as a world-class destination of the screen production sector
 - Auckland being able to attract and retain large companies and multinational corporations
 - world-class event experiences that create vibrancy, economic spin-offs, and legacies for generations to come
 - sustained employment growth.

Management structure

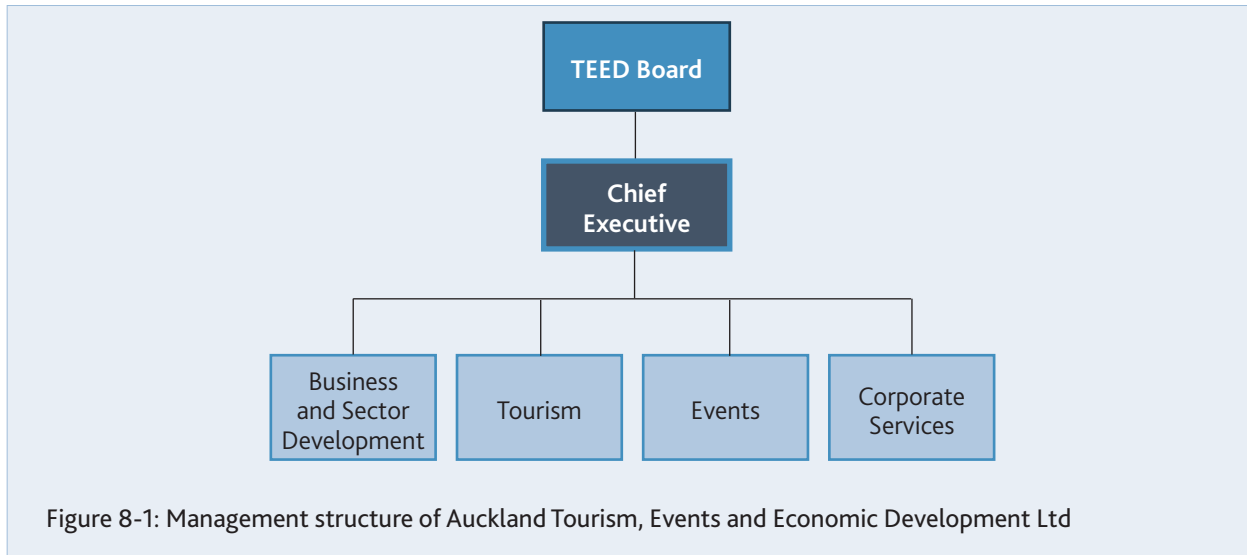
- 8-15 TEED was established by the Transition Agency with a total of 210 full-time equivalent (FTE) staff, with the existing management largely retained in order to preserve institutional knowledge. Finance, information technology, and human resources services are sourced from Auckland Council on a shared service basis.
- 8-16 The management structure is depicted in Figure 8-1 opposite.
- 8-17 As noted above, operationally TEED is divided into four distinct management areas, which will orchestrate the various activities as follows:
- **Business and Sector Development**
 - business development
 - sector development
 - promotion of industry/innovation links
 - film facilitation and permitting
 - labour market development
 - **Tourism**
 - destination marketing
 - advocacy and industry liaison
 - business events

³ Cabinet minute, "Local Government Auckland Governance Reform: Council-Controlled Organisation Structure", 5 July 2010, CAB Min (10) 24/8.

⁴ Hon Rodney Hide, "Appointments to boards of Auckland Council CCOs", Beehive media release, 30 August 2010; also *New Zealand Gazette*, No 113, 2 September 2010.

⁵ Cabinet briefing paper, "Appointments to boards of council-controlled organisations of the Auckland Council", 24 August 2010.

⁶ For an example, see Auckland Waterfront Development Agency Ltd's draft constitution and SOI in Volume 2, *Attachments: Council-Controlled Organisations*.



- visitor information centres
- product development
- tourism business development
- destination management
- skill development
- Study Auckland
- **Events**
 - major event attraction
 - major event coordination, delivery, and leveraging (e.g. Volvo Ocean Race)
 - a Rugby World Cup 2011 planning team
 - event sponsorship and investment attraction
 - major event and film operations
 - event production
 - event industry development and advocacy
- **Corporate Services**
 - marketing and communications
 - operational strategy
 - business support and management of shared services relationship with council.

8-18 The responsibilities of the chief executive and each unit are to ensure that the purposes and objectives of TEED are met. In summary, TEED’s organisational structure reflects the details of organisations, staffing levels, and documentation supplied to the Transition Agency during the set-up process.

Size and scope

8-19 The Transition Agency recommended the establishment of TEED as a substantive CCO as it will be responsible for the delivery of a significant service or activity on behalf of Auckland Council. At its commencement TEED will be responsible for managing approximately \$6 million of assets, with prospective funding from Auckland Council for 2011/2012 of about \$47 million.⁷

⁷ The forecast revenue for 2011 includes allocations in respect of preparations and hosting Rugby World Cup 2011, and is therefore a spike on anticipated revenue for 2012 and subsequent years.

Chapter 8

8-20 As described above and expanded below in the next section, TEED has been formed by way of a consolidation of council groups/business units, CCOs, and independent entities from within or operating within the boundaries of the former Auckland Regional Council, Auckland City Council, Waitakere City Council, North Shore City Council, Manukau City Council, Franklin District Council, and Rodney District Council. It also includes Tourism Auckland and all visitor centres (including i-sites).

3: Transition

8-21 As anticipated in the Transition Agency's discussion document on CCOs of Auckland Council,⁸ the broad approach taken to establish TEED was to bring the existing entities together into a single organisational structure but anticipating that in certain circumstances they would remain in and continue to operate from their existing locations on 1 November 2010.

8-22 Accordingly, an area of unfinished business in the establishment of TEED is to complete the relocation of the various divisions into its new home in central Auckland – Level 4, 21 Pitt Street (the former location of the Auckland Regional Council).

8-23 Broadly speaking the existing entities fell into one of three categories: existing council groups or business units, existing CCOs, and independent entities. In the case of the independent entities, the process adopted by the Transition Agency to bring them together was one of negotiation with each in turn.

8-24 In addition, there are a few visitor centres that operate independently of local government. The potential integration of these entities was not investigated through the transition. However, it is anticipated that this would be considered by the new organisation.

8-25 Consideration was given to the impact of disestablishment of existing CCOs on sources of external funding. Other than rates, funding comes from a mixture of central government and commercial funding for training programmes and business events. Another factor the Transition Agency took into consideration was central government's review of enterprise development agencies and the establishment of the new regional partner network (RPN), which consolidated their local delivery and assistance programmes. The Transition Agency engaged in this process to ensure that TEED became part of the new RPN delivery framework and also to enable programme funding of affected agencies to continue under the TEED CCO. The outcome of the Transition Agency's work was that all contracts, including funding contracts, transferred to TEED on 1 November 2010.

8-26 The Transition Agency also negotiated the establishment of shared service arrangements with the new Auckland Council for TEED's information technology, human resources, and finance services. In terms of accommodation, the Transition Agency anticipated that costs should be negligible. Tourism Auckland stays in its current premises, at least in the short to medium term, but ultimately its site is insecure, and it would be desirable to have one head office location. The i-site staff will stay, and the north, south, and west offices will be retained.

⁸ Auckland Transition Agency, *Discussion document: Council-controlled organisations of Auckland Council*, March 2010.

- 8-27 The rationale for the dissolution of Waitakere Enterprise, Enterprise North Shore, and Enterprising Manukau and integrating their assets into TEED is primarily to give TEED the opportunity to build capability, capacity, and resource at a regional level. Creating a single regional agency will enable delivery of a consistent level of quality service to customers and reduce fragmentation, overlap, and dilution of resource and functionality.
- 8-28 In respect of confirming appropriate integration of non-council owned entities (i.e. Enterprise Franklin Development Trust and Rodney Economic Development Trust),⁹ the Transition Agency recommended a negotiated process.
- 8-29 Rodney Economic Development Trust and Enterprise Franklin Development Trust were not wholly controlled by any of the existing local authorities and so will not be integrated unless the board of trustees administering each trust wishes to voluntarily disestablish, with the operations of each trust transferring to the TEED CCO.
- 8-30 Legally the non-council-controlled entities are under no compunction to disband. The Transition Agency considered it makes good operational sense for them to do so, but this is ultimately a decision for their boards. They may choose not to disband, for example, if they believe they can obtain funding from the new Auckland Council.
- 8-31 Overall, although the Transition Agency did not expect that there would be any significant changes to the delivery of existing programmes of tourism and business development services and major events, at least initially, it anticipated that there would be a reduction in fragmentation, overlap, and dilution of resources inherent in delivering services across a large number of entities.
- 8-32 A major upcoming event is the Rugby World Cup to be held in September 2011, with Auckland hosting major games including the opening match, semi-finals and finals. The combination of resources from eight councils into TEED provides delivery of event facilitation from the one entity, to ensure delivery of a world-class event to visitors and Auckland residents. The Transition Agency's role with respect to facilitating the Rugby World Cup 2011 is described in detail below.

⁹ See paragraph 8-5.

4: Rugby World Cup 2011

Background

- 8-33 The Rugby World Cup 2011 (RWC 2011) takes place between 9 September and 23 October 2011. A bid jointly made by the New Zealand Government and the New Zealand Rugby Union in November 2005 secured the hosting rights. The parties have established a special-purpose tournament delivery company, Rugby New Zealand 2011 Ltd (RNZ 2011).
- 8-34 In New Zealand, all RWC 2011 activity is delivered on a regional basis rather than on an individual city basis. Auckland has secured 12 matches: the opening match and semi-finals and finals at Eden Park, four pool games at Eden Park, and three pool games at North Harbour Stadium. Seven team training venues and bases have been identified, spread across the region from Silverdale in the north to Lloyd Elsmore Park in Manukau.
- 8-35 RNZ 2011 has entered into match agreements with all match venues, and host region agreements (HRAs) with all 13 hosting regions. The HRA covers all RWC 2011 activity outside of the match venues themselves (e.g. “fan zones”, training venues, visitor services, and transport). In Auckland, the 12 parties to the HRA with RNZ 2011 at the time of signing were all eight councils, some venues, Tourism Auckland, and the Auckland Regional Transport Authority.
- 8-36 In May 2006, each of the eight councils in Auckland voluntarily committed to a structure to jointly bid for, plan, fund, and deliver RWC 2011 in Auckland. The initial structure involved the establishment of a regional steering group of officers representing each of the councils, plus Tourism Auckland, AucklandPlus, and Auckland Regional Transport Authority. The regional steering group was supported by a series of functional workstreams. The steering group reported through the Auckland Region Chief Executive Officers’ Forum for content sign-off and resource allocation through each council. Up until May 2009, political oversight and the governance function were provided by the Auckland Mayoral Forum initially, followed by the Regional Sustainable Development Forum under the auspices of the One Plan for the Auckland region.
- 8-37 By the time the report of the Royal Commission on Auckland Governance was released in March 2009, Auckland’s RWC 2011 planning was well advanced. The Royal Commission’s report and the subsequent Government announcements cited RWC 2011 as a model demonstrating that Auckland could act cohesively. This was evident through Auckland’s bidding for matches and the hosting of teams under the nationally competitive process operated by RNZ 2011; the visibility this provided of the total budgets and resources being applied by each agency; and the signing of the HRA with RNZ 2011 by each council, which was a prerequisite for match allocation.
- 8-38 At the same time, the development of the HRA is also a clear example of why the amalgamation of the eight councils in Auckland was required, with each of the eight councils (and four other parties) required to be separate parties to the agreement as no one party could act for the other or the whole. This made the process of negotiating the HRA extremely challenging, time consuming, and expensive, both for RNZ 2011 and the 12 Auckland host parties.

Role played by the Transition Agency

- 8-39 The Government, councils in the Auckland region, RNZ 2011, and the Transition Agency unanimously agreed that planning momentum for RWC 2011 must not be adversely affected by the Auckland governance change process.
- 8-40 Three elements of activity were considered:
- requisite changes to the governance of RWC 2011, both during transition and once the Transition Agency's role concluded
 - ring-fencing of RWC 2011 funding
 - protection of intellectual property through the key resources working on RWC 2011 planning.

Governance

Interim governance

- 8-41 A comprehensive report on the current state of RWC 2011 planning was prepared and presented to the Transition Agency in June 2009. A key outcome was the adoption by the Transition Agency of the following recommendations:
- Endorse retaining the core elements of Auckland's current planning framework across the region, including the vision and objectives, structures, financial resources, and the vital intellectual property (people and plans).
 - Encourage, where possible, the region to work to "regionalise" programmes of work, funding, and decision making relating to RWC 2011.
 - Approve transferring RWC 2011 project reporting lines from the Regional Sustainable Development Forum to the Transition Agency to enable appropriate Transition Agency oversight of RWC 2011 until Auckland Council took effect on 1 November 2010, noting that reporting would still travel via the Auckland Region Chief Executive Officers' Forum from the regional steering group.
 - Endorse the regional steering group working with the Transition Agency to
 - keep the Transition Agency informed of arising issues that may require Transition Agency involvement or intervention
 - ensure smooth transition of the RWC 2011 project through to the Auckland Council on 1 November 2010.

Governance after 1 November 2010

- 8-42 The regional steering group worked with the Transition Agency to ensure that major events were appropriately considered in new structures. At the request of the Transition Agency, this included work on updating RWC 2011 governance and management structures alongside the detailed design process for an economic development CCO.
- 8-43 While primary accountability for RWC 2011 in Auckland now resides with TEED, the delivery of RWC 2011 will require extensive cross-organisation cooperation with the Auckland Council (for local delivery) and Auckland Transport (given the critical role transport plays in RWC 2011). Coordination with the Auckland Waterfront Development Agency and Regional Facilities Auckland will also be required given the focus of Auckland's fan zone and festival activities on the waterfront, and the match and training venues (such as North Harbour, Mt Smart, and the Trusts Stadiums), accountability for which will lie with Regional Facilities Auckland.

- 8-44 The proposed governance structure for RWC 2011 after 1 November 2010 is for accountability to rest with the TEED Board, with coordination with other agencies achieved through memoranda of understanding or similar instruments.
- 8-45 Concomitant changes in the composition of the regional steering group after 1 November 2010 were also proposed.

Budget

- 8-46 A key activity of the region's RWC 2011 planning has been to identify and secure funding for RWC 2011. All councils identified and included capital expenditure and operating expenditure project and activity funding in their 2009–2019 long-term council community plans. Details of the RWC 2011 budgets, projects, and programmes were documented in a cross-region project and budget folder. This information was used by the Transition Agency finance workstream to assist with the identification of RWC 2011 budget commitments through the budget consolidation process, and also the destination of the budget across agencies on 1 November 2010.

Resources

- 8-47 At July 2010, there were approximately 20 people across the region working full time on RWC 2011. The majority of these were in the City Events group at Auckland City Council and destined to go to the new TEED CCO. Existing resources in AucklandPlus and Tourism Auckland will also go to TEED. Dedicated resources at Auckland Regional Transport Authority will go to Auckland Transport.
- 8-48 However, there are a significant number of other people who worked in these organisations and the other councils in Auckland who are critical to the successful delivery of RWC 2011 because of the knowledge they have developed through involvement in planning and delivery. Examples are regulatory, enforcement, and monitoring staff; engineers, traffic planners, and traffic management plan approvers; and parks and streets staff.
- 8-49 Beyond 1 November 2010, work continued on maintaining visibility of and securing mission-critical staff across all organisations.

Issues management

- 8-50 Monthly catch-ups were scheduled as part of the Transition Agency's adoption of the RWC 2011 governance role and regular updates were provided to the Transition Agency Board on RWC 2011 planning and to enable escalation of issues for resolution.
- 8-51 Two key issues predominated during the transition period. These were Queens Wharf and various transport planning matters for RWC 2011.

Queen's Wharf

- 8-52 Auckland's match bid to RNZ 2011 included the proposal that Queen's Wharf, or a waterfront, CBD location would be the premier fan zone in Auckland. This was subsequently incorporated in Auckland City Council's section of the HRA with RNZ 2011.

- 8-53 In September 2009, the agreement to purchase Queen’s Wharf as Auckland’s premier fan zone was finalised between Ports of Auckland Ltd, Auckland Regional Council, and central government.
- 8-54 Over intervening months, detailed planning was delayed while a decision was made on whether temporary or permanent infrastructure should be used, including the retention or removal of the existing cargo sheds on the wharf. The Transition Agency played a key role in supporting the region’s planning for RWC 2011 and facilitating the debate between the parties.
- 8-55 Agreement was reached on
- the state of the wharf during RWC 2011 – comprising retention of a refurbished Shed 10, and the removal of Shed 11 with Government’s temporary Cloud structure on its approximate site
 - the funding arrangement – whereby Government is paying for the Cloud, Auckland Council is paying for the wharf strengthening and the minimal refurbishment of Shed 10, and the RWC 2011 operational overlay which Auckland Council will continue to pay from its RWC 2011 operational budget
 - the operational accountability to deliver the RWC 2011 event on Queen’s Wharf – which remained with Auckland City Council until 1 November 2010, when it transferred to TEED.
- 8-56 Detailed planning for the site, including the recruitment of a creative director for the fan zone and ceremonies, sponsor engagement, and infrastructure procurement, has commenced, and with the confirmation of the infrastructure platform, is progressing full steam ahead.

Transport

- 8-57 The second key issue has been the provision and payment for free public transport for match ticket holders. Free access to public transport is both an international expectation and an operational benefit (as it speeds up the mass transit of match attendees). The provision of free public transport for match ticket holders and the smooth running of the public transport services therefore have significant reputation risks.
- 8-58 The scale of RWC 2011 activity in Auckland and the nature of public transport contract agreements required negotiations between the Auckland Regional Transport Authority, RNZ 2011, and the region on both the extent of the service level to be provided and how this would be funded.
- 8-59 The matter was resolved by the councils and the Transition Agency confirming an “events services only” approach be taken to integrated ticketing to all Auckland matches, with the cost of this to be met through a partnership between RNZ 2011, Auckland Regional Transport Authority, and the four metropolitan councils of the region. As well as playing a facilitation role in the negotiations, under its statutory capacity, the Transition Agency further confirmed the decision of the councils of the region to make provision for such funding in their respective annual plans. These responsibilities transfer to the new organisations.
- 8-60 A second transport issue arose in relation to provision of public transport for some 1,500–2,500 volunteers for the six weeks of the tournament. At the time of writing this report it was expected that transport for RWC volunteers will be provided free of charge.

9

Regional Facilities Auckland

Regional Facilities Auckland (RFA) is the council-controlled organisation (CCO) responsible for providing a regional perspective for the development of Auckland’s arts, culture and heritage, leisure, sport, and entertainment venues, including Auckland Art Gallery Toi o Tāmaki, Viaduct Events Centre, Auckland Zoo, Mt Smart Stadium, and The Edge.

- 9-1 This chapter outlines arrangements for RFA, one of the substantive CCOs established within the Auckland Council governance structure. The chapter is in three sections. Section 1 provides a general overview of RFA and its orientation within Auckland Council. It then describes the purposes and objectives of the CCO and how they will be achieved. Section 2 outlines RFA’s structure and the way in which its activities will be undertaken, including the role of the board, and the resources that will initially be employed in the process. Section 3 canvasses important transition and other matters affecting the CCO’s establishment and early performance.

1: Overview

Purposes and objectives

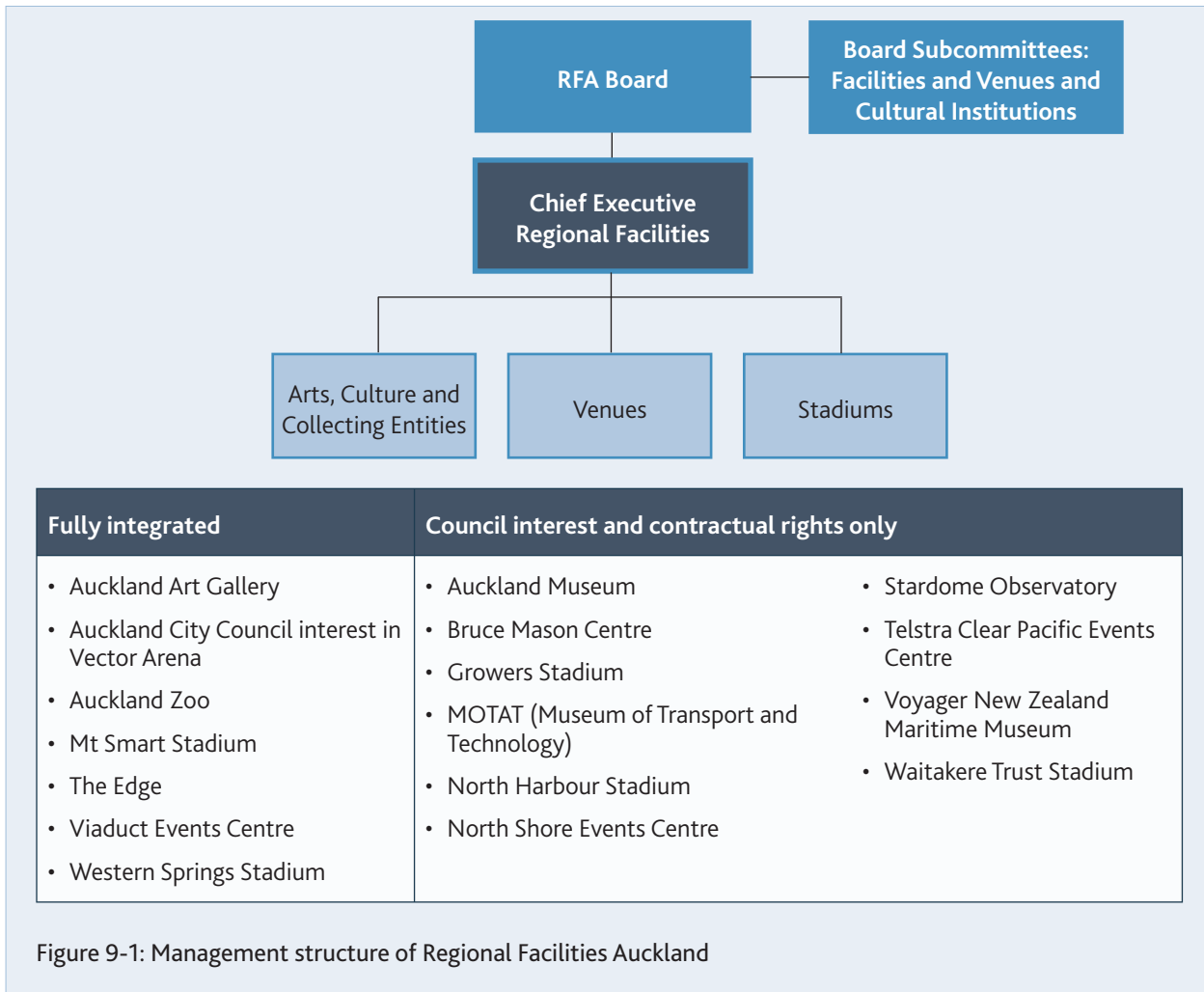
- 9-2 RFA has been established with the following high-level objectives:
- to support the vision of Auckland as a vibrant city that attracts world-class events and promotes the social, economic, environmental, and cultural well-being of its communities, by engaging the community and its visitors daily in arts, culture, heritage, leisure, sport, and entertainment activities
 - to continue to develop, with a regional perspective, a range of world-class arts, culture and heritage, leisure, sport, and entertainment venues that are attractive both to the residents of the region and also to visitors
 - to work with the Auckland Council, central government, and entities that are not fully integrated to progress any legislative amendments, negotiations with boards, and design work required to enable the final structure and ongoing objectives of RFA to be agreed by the Auckland Council.
- 9-3 The establishment of RFA will enable a consistent approach to the management of regional facilities across the Auckland region. RFA will bring entities in the arts, culture, and collecting fields together with indoor venues and stadiums, but the diversity of the fields involved and variety of legal structures and funding arrangements means that the full reform envisaged by the Transition Agency was not achieved by 1 November 2010.

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- 9-4 RFA's orientation with the other substantive CCOs of Auckland Council is depicted in Figure 4-1 on page 117.
- 9-5 In general terms, RFA will
- rationalise the major regional facilities of Auckland City Council, Auckland Regional Council, Rodney District Council, North Shore City Council, Waitakere City Council, Manukau City Council, Papakura District Council, and Franklin District Council
 - manage \$960 million worth of major regional facilities to achieve a high level of coordination and a focus on making better use of Auckland's major venues and attractions, including significant cultural, heritage and leisure facilities, indoor venues, and stadiums
 - act as a trust with a corporate trustee (which in turn has a board)
 - be able to act commercially to effectively and efficiently operate the facilities and to plan for the future.

Background

- 9-6 Bringing together entities across diverse fields in the arts, culture, and museums along with indoor venues and stadiums is a complex process. The various entities also have a variety of different legal structures – some with their own statutory regimes – and funding arrangements.
- 9-7 The Auckland Transition Agency ("Transition Agency") also noted the debate across the region about the duplication and underutilisation of a range of regional facilities in Auckland. A number of facilities had been developed with the ratepayers of the local area in mind, rather than with a regional focus. Consequently in the period leading up to Day One there was over \$1 billion worth of small to mid-sized assets. Many of these council entities actively competed with one another outside of their core activities (e.g. for conferences, functions, and concerts). The Transition Agency believed that this situation was not sustainable.
- 9-8 Notwithstanding the apparent differences in, say, housing an arts collection and operating an indoor venue for sports, these entities share common needs in areas such as ticketing, promotion, casual labour, and asset management.
- 9-9 Accordingly, given the complexity and the limitations on legislative intervention, RFA is an important first step towards regionalisation of Auckland's major regional facilities.
- 9-10 Figure 9-1 opposite provides an overview of the structure of RFA – the entities that were fully integrated into RFA on 1 November 2010 and those which, for a variety of reasons, will remain separate entities beyond that date, but where RFA has some interest or contractual relationship.
- 9-11 The Transition Agency suggested that over time the value added by the creation of RFA may lead some entities to decide that they wish to be fully integrated into the organisation. It may also lead the Auckland Council over time to encourage greater integration by, for example, delegating board or trustee appointment responsibilities of non-integrated entities to the CCO.
- 9-12 However, for RFA to be ultimately successful it must be able to influence the non-integrated entities. If for various legal reasons it is not possible for the CCO to make board or trustee appointments, the Transition Agency strongly recommended that the funding of the non-integrated entities be channelled through the CCO. In that way RFA will be able to take and shape a multi-year regional approach to the management and development of the region's major facilities.



9-13 The balance of the chapter describes in greater detail RFA’s purposes and objectives, its structure, the way in which its activities will be undertaken, and the resources that will be employed in the process.

- 9-14 The Transition Agency established RFA with the intention that it would achieve its high-level objectives through the following activities:
- maintaining existing collections to world-class standards and developing future collections
 - nurturing region-wide arts, cultural, and heritage activities and organisations
 - encouraging greater participation in cultural, heritage, and arts activities
 - planning for and implementing regionally identified projects and functions
 - acting as a regional voice for arts, culture, heritage, leisure, sport, and entertainment issues
 - enlarging the market for facilities through an events strategy developed in partnership with Auckland Tourism, Events and Economic Development Limited
 - advocating, coordinating, and leading strategic thinking for investment in new collections and arts, culture, heritage, leisure, and sport and entertainment facilities for Auckland.

How RFA will achieve its purposes and objectives

- 9-15 The Transition Agency expected RFA to achieve its purpose and objectives by working in partnership with the non-integrated regional facilities listed above, through
- coordinating strategy development
 - joint research, marketing, and communications

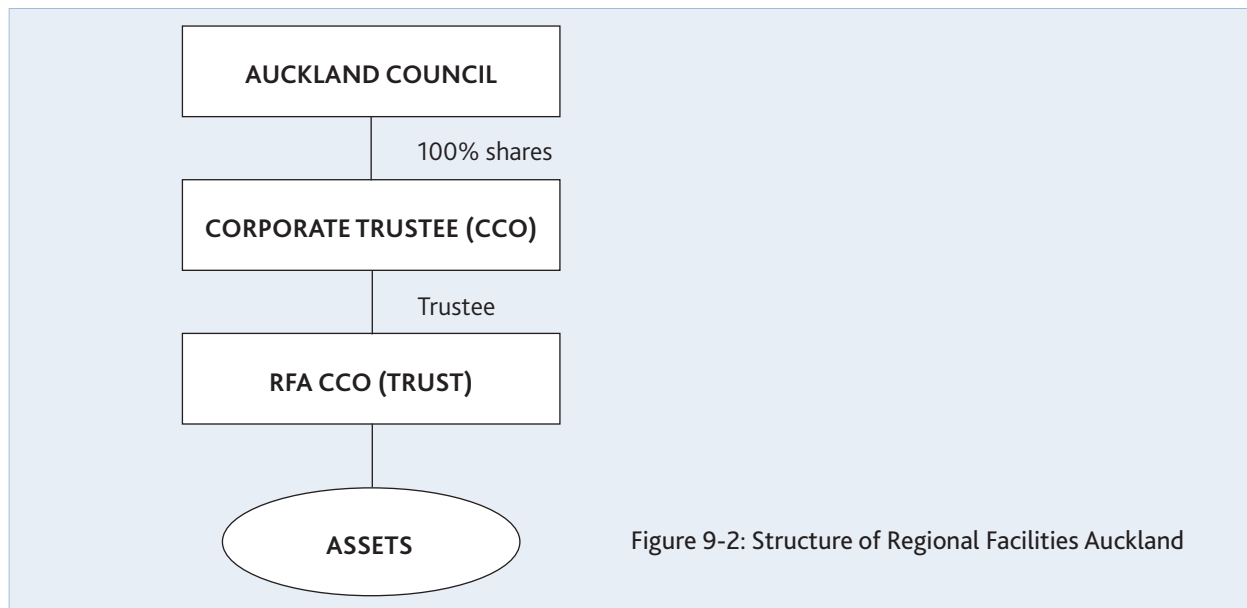
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- developing significant partnership relationships with higher learning institutions and sponsors
 - being an attractor and aggregator of excellence
 - complementary and, where appropriate, joint programming to optimise usage
 - a coordinated approach to arts, cultural, and heritage activities and organisations, as well as collections
 - sharing best practice systems and processes
 - sharing services not supplied by Auckland Council, e.g. ticketing
 - a joint approach to asset management and development (including investment planning)
 - encouraging private sector involvement and external funding
 - joint bidding for events (in association with Auckland Tourism, Events and Economic Development Ltd and, where appropriate, Auckland Waterfront Development Agency Ltd and other relevant organisations).
- 9-16 The intention is for RFA to create a climate for the various facilities to work together for the overall benefit of Auckland. The Transition Agency's assessment of the facilities revealed some common themes, for example, entities such as MOTAT (Museum of Transport and Technology) being formed by groups with a common passion and most operating in their own silo with variable success. The Transition Agency expected RFA to establish a shared purpose to work together to build value across the portfolio.
- 9-17 The Transition Agency arranged for regional facility assets held by the outgoing councils to be transferred to RFA. The ability of RFA to manage these assets will ensure that it is able to control and thereby optimise the use of land, buildings, and infrastructure to best meet its objectives.
- 9-18 The transfer of assets also included associated pedestrian and parking precincts. The Transition Agency believed it was important that RFA is able to control these to ensure alignment with the regional facilities operations and to achieve a long-term investment strategy that optimises asset utilisation enabling the achievement of regional outcomes.
- 9-19 Similarly the ownership of assets brings with it a strong commercial imperative and will provide RFA with the incentive to ensure appropriate levels of maintenance and, over time, to rationalise resources across entities.

2: Structure

Organisational form

- 9-20 RFA was established under the Local Government (Tamaki Makaurau Reorganisation) Establishment of Council-controlled Organisations Order 2010. RFA is a trust with a single corporate trustee (which is a company, RFA Limited, under the Companies Act 1993). Both the trust and the corporate trustee are a CCO under the Local Government Act 2002 (LGA 2002). RFA has been registered as a charitable trust.
- 9-21 The structure of RFA is shown in Figure 9-2 opposite.



Governance structure

- 9-22 Under section 48 of the Local Government (Tamaki Makaurau Reorganisation) Act 2009 (“Reorganisation Act”), the Minister may appoint directors to act as the chair and deputy chair of a CCO until the Auckland Council makes any appointment to these positions.
- 9-23 Cabinet agreed that RFA Board would comprise up to seven directors who had the relevant private sector experience and expertise to enable RFA to deliver on its purpose and objectives.¹ Subsequently, a six-strong board of directors was appointed, headed by Sir Don McKinnon.² Other members are Dame Jenny Gibbs (deputy chair), Hugh Burrett, Peter Stubbs, Derek Dallow, and Rukumoana Schaafhausen. Auckland Council is entitled to appoint a further three directors to the RFA Board after 1 November 2010.³ (For further details of the appointment process for CCO boards, see page 142.)
- 9-24 The board’s statutory role is to set the strategic direction for the company, reflecting the letter of expectations setting out Auckland Council policy and directions and the statement of intent (SOI) negotiated with Auckland Council, and to delegate the implementation of the functions of RFA to the chief executive.
- 9-25 The Transition Agency prepared a draft constitution and SOI for the Auckland Council to consider and adopt.⁴ The draft SOI sets out how RFA will contribute to Auckland Council’s and the Government’s objectives and priorities for Auckland, as summarised below:
- the Auckland Regional Economic Development Strategy 2002–2022 goal for “promoting the Auckland region”⁵
 - the regional sports strategy goal that current and future regional facilities are planned, developed, and managed to serve the needs of all Aucklanders now and in the future⁶

¹ Cabinet minute, “Local Government Auckland Governance Reform: Council-Controlled Organisation Structure”, 5 July 2010, CAB Min (10) 24/8.

² Hon Rodney Hide, “Appointments to boards of Auckland Council CCOs”, Beehive media release, 30 August 2010; also *New Zealand Gazette*, No 113, 2 September 2010.

³ Cabinet briefing paper, “Appointments to boards of council-controlled organisations of the Auckland Council”, 24 August 2010.

⁴ For an example, see Auckland Waterfront Development Agency Ltd’s draft constitution and SOI in Volume 2, *Attachments: Council-Controlled Organisations*.

⁵ AREDS, *Auckland Regional Economic Development Strategy 2002–2022*, October 2002, p. 26.

⁶ ARPASS, *Auckland Regional Physical Activity & Sport Strategy 2005–2010*, p. 11.

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- the One Plan programme goal named “Destination Auckland”, which aims to develop the region as a global destination and major events location⁷
- the Metro Project goal to develop a major event portfolio to build world-class capability and profile, using major events to drive the momentum of infrastructure development for sports and conventions.⁸

9-26 In order for RFA to achieve its mission to provide places of “irresistible, enriching discovery”, the draft SOI identifies three key goals to pursue over the next three years:

- to offer experiences that improve the cultural and social well-being of residents and visitors
- to contribute to the economic well-being of businesses and residents
- to make sure Aucklanders receive value for money from investment in and rationalisation of facilities and operations.

Management structure

9-27 As noted above, the chief executive has three distinct areas of reporting responsibilities covering each of the three main areas of the business:

- performing arts and cultural institutions
- sector and business development
- stadiums.

9-28 The sector and business development unit has a manager and administrator. The manager will rely on professional advisers contracted as required, and/or the existing managers of the entities within or reporting through this CCO for sector development activity initiatives. It should also be noted that the sector and business development role works across all areas of the business whether integrated or independent (i.e. the council-funded but not council-governed group listed earlier) to achieve the following activities:

- service the board
- identify and implement, where agreed, organisation changes and improvements
- reallocate resources
- design and initiate sector development activities
- prepare operational and capital draft annual budgets
- work with colleagues within each organisation to implement
 - joined up research, marketing, and communications
 - partnership relationships with universities and sponsors
 - joined up programming, and across-facility programming.

9-29 The responsibilities of the chief executive and each direct reporting area are to ensure that the purposes and objectives of RFA are met in a transparent way. The RFA organisational structure reflects the details of facilities, staffing levels, and documentation supplied to the Transition Agency during the set-up process.

Size and scope

9-30 RFA’s primary activity from Day One is to actively manage a \$963 million major regional facilities portfolio composed of specific major regional facilities in the Auckland region.

⁷ Regional Sustainable Development Forum, *One Plan for the Auckland region, Version 1*, October 2008, p. 13 (available at www.aucklandoneplan.org.nz, accessed September 2010).

⁸ Auckland Regional Council, 2006, *Metro Project Action Plan*, p. 32.

- 9-31 The Transition Agency determined that a full-time equivalent (FTE) staff in the order of 360 was required for the efficient and effective operation of RFA and all the entities within its ambit from 1 November 2010. The Transition Agency also proposed that the pre-Day One management largely remain in place in order that there would be no disruptive loss or loss of institutional knowledge.
- 9-32 A prospective summary budget for 2011/2012 indicates an expenditure base of approximately \$120 million.⁹

3: Transition

Affected entities

- 9-33 The entities determined as fully integrated within RFA from commencement on 1 November 2010 are
- Aotea Centre/Civic Theatre/south-Town Hall (The Edge)
 - Auckland Art Gallery
 - Auckland Zoo
 - Mount Smart Stadium
 - Viaduct Events Centre (formerly Marine Events Centre)
 - Western Springs Stadium.
- 9-34 The current arrangement is that The Edge and Auckland Council have a signed, detailed management agreement where The Edge manages Civic Theatre and south-Town Hall on behalf of Auckland Council. It is envisaged that the northern part of the Town Hall will be the Mayor's Office and Council Chambers for Auckland Council and therefore be retained in council ownership and control. Rather than "unit-title" the Town Hall, the Transition Agency has recommended that the management agreement continues with respect to the Town Hall (and Aotea Square). However, the Transition Agency suggested that the ownership of the Civic Theatre shift to RFA.
- 9-35 In summary, the repeal of the Aotea Centre Empowering Act 1985¹⁰ enabled the Aotea Centre/Civic Theatre/south-Town Hall (The Edge) to be fully integrated into RFA.¹¹ The integration of The Edge provides a critical mass of integrated facilities and, in particular, access to the systems, processes, and experienced people that it has to both run the facilities within RFA and to better support the associated activities.
- 9-36 Existing staff of these business units were transferred into RFA according to the Transition Agency's change management process. As part of the change process the majority of the staff of these units retained their positions, with a small number of senior management positions being affected.
- 9-37 All assets of these business units, including land, buildings, and collections, transferred into the ownership and management of RFA from 1 November 2010.

⁹ For RFA budget details see *Your Auckland, Auckland Council's Long-term Plan, 1 November 2010–30 June 2019, Volume 4: Council-controlled organisations*, pp. 56–59.

¹⁰ Repeal was consequential to the passing of the Local Government (Auckland Transitional Provisions) Act 2010.

¹¹ With the exception of Aotea Square and the Auckland Town Hall, as noted in paragraph 9-34.

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- 9-38 The following entities have not been fully integrated, but existing council interests and contractual rights have been transferred to RFA:
- Auckland Observatory and Planetarium Trust Board (“Stardome Observatory”)¹²
 - Auckland War Memorial Museum
 - Counties Manukau Pacific Trust (“Telstra Clear Pacific Events Centre”)
 - Growers Stadium
 - MOTAT Board (Museum of Transport and Technology)
 - New Zealand National Maritime Museum Trust Board (“Voyager New Zealand Maritime Museum”)¹³
 - The North Shore City Performing Arts Centre Management Board (“Bruce Mason Centre”)
 - The North Shore Domain and North Harbour Stadium Trust Board (“North Harbour Stadium”)
 - The North Shore Events Centre Trust Board (“North Shore Events Centre”)
 - Waitakere City Stadium Trust (“The Trusts Stadium”).
- 9-39 These organisations will retain their current governance and funding arrangements set out in their constitutions or trust deeds, or in legislation,¹⁴ unless other arrangements are made either through legislative amendment in the case of Auckland War Memorial Museum and MOTAT, or amendment of trust deeds and constitutions. The board of North Harbour Stadium has sought legal advice on how to become fully integrated with RFA.
- 9-40 Meanwhile two of the entities above (Voyager New Zealand Maritime Museum and Stardome Observatory) have indicated that in order to work effectively with RFA they would need to be removed from the Schedule of entities covered by the Auckland Regional Amenities Funding Act 2008 (“Amenities Funding Act”).
- 9-41 There is also a contract interest in Vector Arena (under a build-own-operate-transfer agreement that has been rolled over with Quay Park Arena Management).
- 9-42 A number of smaller less regional entities are not included in RFA arrangements. Consequently, a relationship is required with Auckland Council in respect of a list of more local organisations that comprise a network of facilities reaching across the region. Examples are Te Tuhi, Northart, and Lopdell House galleries; and Glen Eden, Dolphin, The Auckland Performing Arts Centre (TAPAC), and PumpHouse community theatres.

Impacts on entity boards

- 9-43 As a consequence of the repeal of the Aotea Centre Empowering Act 1985 (noted above), the Aotea Centre Board of Management was disestablished on 1 November 2010.

¹² Council’s interest (and liabilities) in both the Stardome Observatory and Maritime Museum include site leases, loans, levies for operation funding through Auckland Regional Amenities Funding Act 2008, and capital grants.

¹³ See previous footnote.

¹⁴ Governance and funding arrangements for the Auckland War Memorial Museum and MOTAT are set out in their own local Acts: Auckland War Memorial Museum Act 1996 and the Museum of Transport and Technology Act 2000. Funding of Voyager New Zealand Maritime Museum and Stardome Observatory is covered by the provisions of the Auckland Regional Amenities Funding Act 2008.

9-44 Meanwhile the following summarises the impact on the existing boards of those organisations maintaining their existing governance and funding arrangements but whose interests and contractual rights are being transferred to RFA.

- *Auckland Museum and MOTAT.* Under the Auckland War Memorial Museum Act 1996 and the Museum of Transport and Technology Act 2000, an Electoral College comprising representatives of the territorial authorities had the role of appointing five board members to Auckland Museum and six board members to MOTAT. The Electoral College has recently appointed some new members to replace members whose terms expired before 1 November 2010. Under the Reorganisation Act, from 1 November 2010, new board members will be appointed by the Auckland Council.
- *Maritime Museum and Stardome Observatory.* The Auckland Regional Amenities Funding Board (“Amenities Funding Board”) sets the funding for 10 regional organisations (and the corresponding levy paid by the contributing local authorities).¹⁵ For the reasons explained earlier, it was proposed that two of these organisations – the Maritime Museum and Stardome Observatory – report through RFA, and the other eight directly to Auckland Council. Over time it may be decided that the Maritime Museum and Stardome Observatory could be removed from Schedule 1 of the Amenities Funding Act, and be fully integrated within RFA. The current set-up budget for RFA records the full amount for each of these entities as allocated by the Amenities Funding Board for the year 2010/2011. After this time, there would be discretion by the RFA Board of the recommended funding, and a final decision by the Auckland Council. That is, the discretion for the level of funding will move from the Amenities Funding Board to the RFA Board.

Implementation risks

9-45 As noted above, bringing together entities across diverse fields in the arts, culture, and museums together with indoor venues and stadiums is a complex assignment. Establishment of a fully functioning and streamlined CCO will be an ongoing process beyond 1 November 2010 and merits some in-depth analysis of its associated risks, benefits, and implications.

9-46 During the discovery phase leading to the recommendation to establish RFA, the Transition Agency identified significant duplication and underutilisation of a range of regional facilities throughout Auckland. The agency noted the support for the RFA proposal from a number of affected organisations¹⁶ and believed that a unified approach to the oversight of these institutions would support a coordinated approach to arts, cultural, and heritage activities and organisations and collections.

9-47 The Transition Agency proposed that RFA develop a variety of methods to ensure its objectives are consistent with those of the independent organisations that are aligned with, but not fully integrated into, RFA. Mechanisms proposed include

- the influence and leadership of a board that is well respected across the sector
- collaborative development of a 10-year plan
- full integration of a significant core of regional facilities

¹⁵ Auckland Regional Amenities Funding Act 2008, Subpart 3, “Funding process”.

¹⁶ North Harbour Stadium, Bruce Mason Centre, The Trusts Stadium, Telstra Clear Pacific Events Centre, and North Shore Events Centre all provided a submission to the Transition Agency supporting the RFA proposal. A number of other institutions indicated their support to the Transition Agency.

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- control of assets and funding for a broader group of facilities
 - an organisation wholly focused on the future of the regional facilities.
- 9-48 As previously noted, the entities that are not fully integrating with RFA have a variety of different legal structures (some with their own statutory regimes) and funding arrangements with the councils that ceased on 1 November 2010 and third-party funders. Furthermore, those local authorities had a variety of different appointment rights and levels of influence, including some set out in legislation. These arrangements have been bundled within Auckland Council, and the Transition Agency proposed that, in time, appointment rights to the various entities be streamlined and transferred from the Auckland Council to the RFA Board.
- 9-49 The Minister of Local Government, Hon Rodney Hide, agreed that addressing these inconsistencies, so as to align these entities within RFA, should be addressed as a matter of priority once RFA was established. He recommended an additional objective for RFA to reflect this priority and to emphasise its importance to the Auckland Council, namely that RFA will work with the Auckland Council, central government, and entities that are not fully integrated to progress any legislative amendments, negotiations with boards, and design work required to enable the final structure and ongoing objectives of RFA to be agreed by the Auckland Council.¹⁷
- 9-50 There are three immediate areas of risk to which the Transition Agency urged Auckland Council and the RFA Board give early close attention.
- 9-51 The first relates to preparations for the Rugby World Cup 2011. (For more information on these preparations, see “Rugby World Cup 2011” on page 194.) Three major construction projects require continuity for completion before this event: Auckland Art Gallery, Te Wao Nui at Auckland Zoo, and Viaduct Events Centre. The Transition Agency appointed independent outsourced project managers, who will remain in place over transition.
- 9-52 To address any concerns independent entities may have in regard to security of funding after 1 November 2010, the Transition Agency requested councils to confirm funding continuity to 30 June 2011 (subject to entities meeting performance requirements).¹⁸
- 9-53 A second possible risk, which was identified by some arts organisations, is that reducing competition by rationalising operations – and in effect creating monopolised service delivery – is likely to disadvantage some arts- and community-focused users. The Transition Agency believed, however, that RFA does not decrease competition, nor does it reduce or change access. As set out above, after 1 November 2010, The Edge venues will continue to be managed together and the Bruce Mason Centre will continue to be managed by an independent trust. All continue to receive public funding, but via RFA rather than directly from Auckland Council. At this stage, therefore, there is no risk to address. However, should other venues be integrated into RFA over time, it may become an issue.
- 9-54 Third, a long-term risk area relates to possible public concerns about the transfer of ownership of public assets from the outgoing councils to a CCO. Submitters to the Local Government (Auckland Law Reform) Bill raised concerns that utilisation of CCOs to undertake council functions could be a forerunner for the disposal of public assets.

¹⁷ Cabinet minute, “Local Government Auckland Governance Reform: Council-controlled organisation structure”, 5 July 2010, CAB Min (10) 24/8, paragraph 22.1.3.

¹⁸ See *Auckland Council’s Long-term Plan, Volume 4*, pp. 56–59, for summary financials and funding assumptions.

- 9-55 In respect of RFA, the Transition Agency's view was that the ability to both own and manage assets will ensure that the CCO is able to control and thereby optimise the use of land, buildings, and infrastructure to best meet its objectives. The Transition Agency noted it is usual practice internationally for entities such as RFA to hold assets and that asset ownership will provide RFA with the incentive to ensure appropriate asset management planning.
- 9-56 The Transition Agency also noted that in response to the concerns expressed at the select committee, and by the wider public, additional accountability levers have been made available to the Auckland Council for its substantive CCOs, including RFA. As noted previously (see Chapter 4), these include the requirement for the Auckland Council's CCO accountability policy to identify and define strategic assets and set out the process for the approval of any major transactions relating to those assets. This policy will clearly enable the Auckland Council to set stringent requirements around the disposal of assets, including requirements for public consultation.
- 9-57 Finally, it is noted that section 12 of the Local Government (Auckland Transitional Provisions) Act 2010 puts a moratorium on the sale by Auckland Council of certain property (including CCO-held assets) until 30 July 2012, when the council's first long-term council community plan will be in place.

Alternative to RFA considered

- 9-58 For the record, Government considered the option of not establishing RFA and assessed an alternative scenario in which the Transition Agency would continue its design work on RFA and prepare the relevant briefing material for the Auckland Council. Under this scenario, the Auckland Council would develop the negotiations with relevant affected organisations, propose required amendments to relevant local Acts, and establish such a CCO under the provisions of the LGA 2002 in due course. Existing business units would have transferred as is to the new Auckland Council and The Edge would have become a business unit of the Auckland Council.
- 9-59 However, the risk with this approach – and the reason why it was rejected – was that critical momentum from across the sector would have been lost while the new council focused on higher-priority issues, especially in the first term, under the new governance model. In addition, the Auckland Council would not be able to establish such a CCO without undertaking the special consultative procedure required under the LGA 2002. This would have delayed RFA's establishment until well after July 2012, and the current inefficiencies and lack of coordination across this key sector would have continued.
- 9-60 The overall conclusion of the Transition Agency is that it is crucial to maintain the momentum of the work with rationalising regional facilities commenced by the governance reform process. As noted earlier, there is strong stakeholder engagement and commitment by affected organisations to maintain progress to integrate with RFA. The Transition Agency is confident that the work will stay a priority for the new board and staff of RFA, with the direction and oversight of the new Auckland Council. Integration of current council business units and The Edge will progress as planned, forming the nucleus of RFA.

Auckland Council Property Limited (ACPL) is the council-controlled organisation (CCO) responsible for managing Auckland Council's commercial properties, ensuring an appropriate return on these assets, and bringing a market perspective to council planning activities. This chapter outlines the arrangements for ACPL, one of the substantive CCOs established within the Auckland Council governance structure.

- 10-1 The chapter is in three sections. Section 1 provides a general overview of ACPL and its orientation within Auckland Council. It then describes the objectives of the CCO and how they will be achieved. Section 2 outlines ACPL's structure and the way in which its activities will be undertaken, including the role of the board. Section 3 canvasses important transition and other matters affecting the CCO's establishment and early performance.

1: Overview

- 10-2 As stated in the CCO discussion document published by the Auckland Transition Agency ("Transition Agency"),
- The objective of this CCO is to ensure property held by Auckland Council and its CCOs is well managed until either it is required for the purpose it was acquired or a decision is made by Auckland Council for its disposal. By operating in this way the return to the ratepayer on the funds invested in property will be maximised.¹
- 10-3 ACPL's primary activity from Day One is to actively manage and control more than \$700 million of Auckland Council property assets not immediately required for service delivery or infrastructure. This portfolio comprises approximately 820 properties. ACPL will also undertake acquisitions and disposals on behalf of the Auckland Council, Auckland Transport, and other designated CCOs.
- 10-4 In addition to the non-service council assets transferring to ACPL management and control, the following entities were identified as terminating entities whose current activities and projects will continue as activities under the management and control of ACPL:
- Rodney Properties Ltd
 - Tomorrow's Manukau Properties Ltd and subsidiary TMPL (Flat Bush) Ltd
 - Waitakere Properties Ltd.²

¹ Auckland Transition Agency, *Discussion document: Council-controlled organisations of Auckland Council*, March 2010, p. 31.

² Local Government (Tamaki Makaurau Reorganisation) Council-controlled Organisations Vesting Order 2010, clause 10.

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- 10-5 Existing local authorities' rights and interests in the following matters will transfer to Auckland Council to be managed and controlled by ACPL:
- Araparera Forestry joint venture (unincorporated joint venture with Māori Trustee)
 - Whitford Quarry (under management agreement with Fulton Hogan Ltd) and Whitford Landfill (joint venture with Transpacific Industries Group (NZ) Ltd)
 - commercial space in the Auckland Council Bledisloe Administration Building and retail space on Devonport Wharf)
 - ground lease interests, such as those pertaining to the Britomart development.
- 10-6 The Auckland Council will, however, maintain an in-house property department to manage property being used for council services. The types of property that will remain under the control and management of the Auckland Council property department are
- parks and reserves
 - community facilities including
 - art galleries
 - libraries
 - swimming pools
 - leisure/recreation centres
 - sporting facilities
 - passive recreation assets
 - community leased facilities
 - community halls
 - community centres
 - early childhood centres
 - public toilets
 - other, including
 - housing for the elderly or other social purposes
 - council office accommodation, corporate buildings, and service centres
 - wharves (excluding any ferry wharves transferred to Auckland Transport) and boat ramps with no leases
 - marinas and moorings
 - heritage properties and buildings.
- 10-7 Other Auckland Council property not under the management and control of ACPL or the Auckland Council in-house property department includes that under the control of other CCOs:
- Regional Facilities Auckland – Auckland Zoo facilities and stadiums
 - Auckland Transport – railway stations and the ferry buildings, management of off-street parking on behalf of the council
 - Auckland Waterfront Development Agency Limited Wynyard Quarter – Westhaven Marina.
- 10-8 ACPL's orientation with the other substantive CCOs of Auckland Council is depicted in Figure 4-1 on page 117.
- 10-9 The Transition Agency anticipates that ACPL will facilitate an ongoing dialogue with the Auckland Council property department and other CCOs in respect of their property interests in order to ensure that effective relationships and demarcation of roles are maintained through effective communication and to achieve the best possible outcome for the overall Auckland Council property asset portfolio.

Objectives

- 10-10 In establishing the CCO, the Transition Agency prepared a draft statement of intent (SOI) for ACPL for Auckland Council's consideration,³ putting forward the following objectives of the organisation:
- ensuring the efficient use of Auckland Council's capital in respect to the property activities for which ACPL is responsible or involved on Auckland Council's behalf
 - obtaining an appropriate return on property under ACPL management
 - efficiently and effectively managing and controlling Auckland Council's rights and interests in properties, projects, and business activities that have been assigned to ACPL by Auckland Council
 - bringing a commercial perspective to any Auckland Council planning initiatives
 - facilitating, where appropriate, private sector collaboration in any Auckland Council-initiated property projects for which ACPL is responsible or involved on Auckland Council's behalf.
- 10-11 The objectives and associated activities set out in the SOI can be modified in accordance with the annual SOI review process.

How ACPL will meet its objectives

- 10-12 ACPL will initially carry out its activities utilising internal employees, consultants, and contractors. ACPL will determine whether efficiencies can be gained by outsourcing volume commodity activities, such as rent collection or facilities management, using benchmarking analysis to determine whether outsourcing is able to deliver greater cost efficiencies. ACPL intends to carry out its activities pursuant to service level agreements (SLAs) with Auckland Council and designated CCOs. The SLA will record both the specific activities of ACPL and the support and cooperation required from Auckland Council (and Auckland Council departments) to enable ACPL to exercise effective and efficient management and control of matters for which it is responsible.
- 10-13 ACPL will initially rely on shared services agreements with Auckland Council for support services such as payroll, risk and assurance, and treasury functions. Although ACPL will be accountable to Auckland Council, it will have full autonomy over its day-to-day business operations in order to achieve its objectives. This balance is intended to be achieved by ACPL having full authority to carry out its business within agreed asset management plans, Auckland Council's comprehensive acquisition and disposal strategies, business or project plans, and the financial mandate of the combined associated budgets. ACPL should not have to seek the council's approval for decisions it makes within the relevant operational mandate. This should provide ACPL with discretion regarding capital expenditure priorities and the ability to take advantage of commercial opportunities when they arise.
- 10-14 Auckland Council will fund ACPL's operational expenditure as a management fee pursuant to the SLA. This is projected to be approximately \$5.8 million per year.⁴ This management fee will be paid by Auckland Council on a quarterly basis in advance to fund ACPL's activities.

³ For an example of a draft SOI, see Auckland Waterfront Development Agency Ltd's draft constitution and SOI in Volume 2, *Attachments: Council-Controlled Organisations*. ACPL's objectives are also provided in the Local Government (Tamaki Makaurau Reorganisation) Establishment of Council-controlled Organisations Order 2010.

⁴ See ACPL's Summary Financials in *Your Auckland, Auckland Council's Long-term Plan, 1 November 2010–30 June 2019, Volume 4: Council-controlled organisations*, p. 35.

2: Structure

Organisational form

10-15 ACPL was established under the Local Government (Tamaki Makaurau Reorganisation) Establishment of Council-controlled Organisations Order 2010. ACPL operates as a limited liability company (under the Companies Act 1993) and a wholly owned CCO of the Auckland Council (under the Local Government Act 2002).

Governance structure

10-16 Cabinet agreed that the ACPL Board would comprise up to seven directors who have the relevant private sector experience and expertise to enable ACPL to deliver on its purpose and objectives.⁵

10-17 Under section 48 of the Local Government (Tamaki Makaurau) Act 2009, the Minister has appointed five initial directors of ACPL: Sir John Wells (Chair), Richard Aitken, Anne Blackburn, Peter Wall, and Tukoroirangi Morgan.⁶ (Auckland Council is entitled to appoint a further two directors to the ACPL Board after 1 November 2010.⁷)

10-18 The board's statutory role is to assist the organisation to meet its objectives and any other requirements in its SOI. It will also set the strategic direction for the company and delegate responsibility to the chief executive where appropriate. The chief executive will oversee the operations of ACPL and staff to ensure that ACPL operates in accordance with board policy and its SOI.⁸

Management structure

10-19 As illustrated in the management structure diagram (Figure 10-1 opposite), the Transition Agency recommended there should be three business unit managers reporting directly to ACPL's chief executive covering the main areas of the business:

- Property Management
- Acquisitions and Disposals
- Finance and Risk.

Size and scope

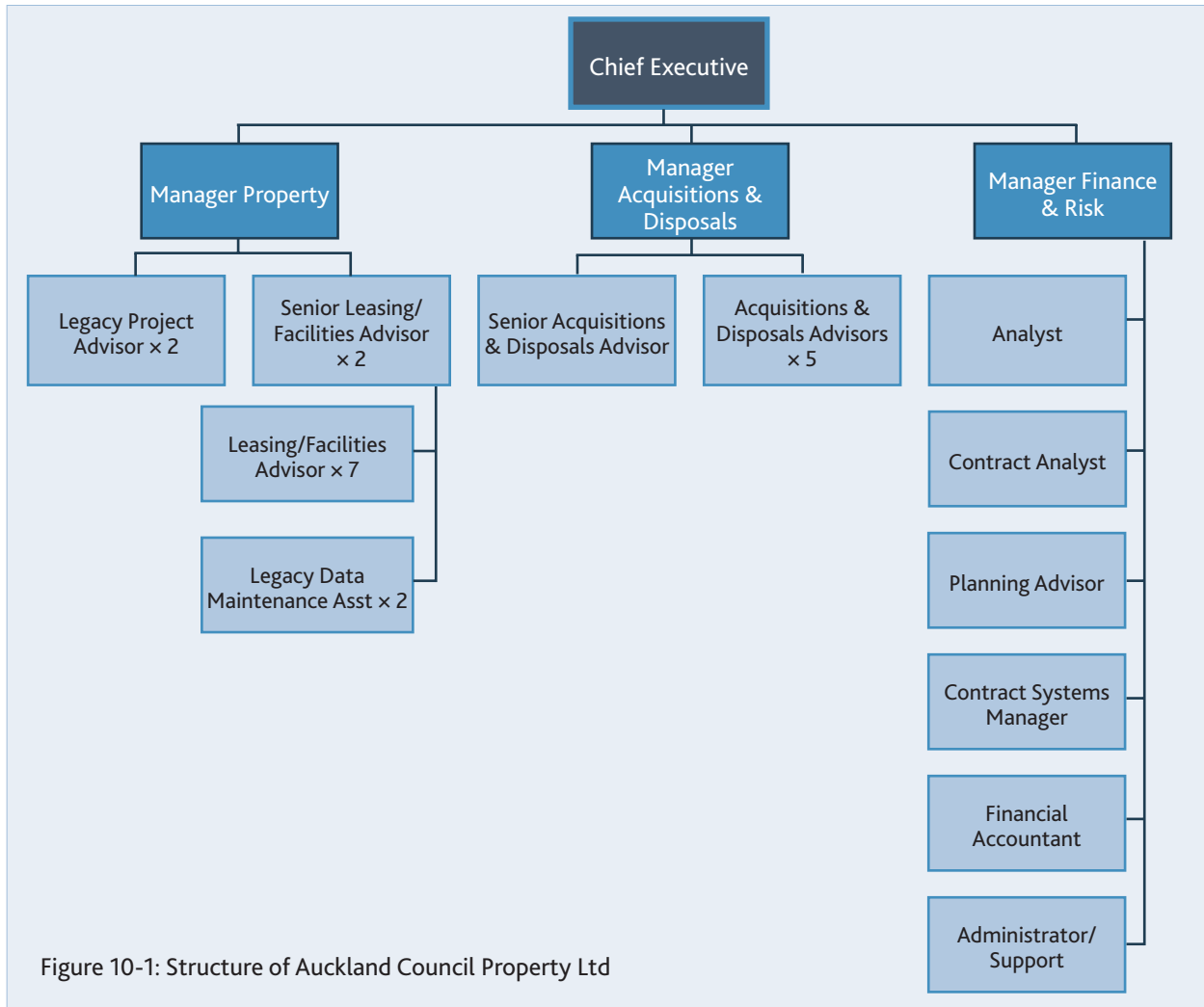
10-20 As a result of a needs assessment, the Transition Agency determined that a total of 30 staff, comprising 28 full-time equivalents (FTEs) and two contract positions, was required for the efficient and effective operation of ACPL on Day One. Factors taken into account in setting staff numbers included the need to ensure no loss of service occurred in relation to properties transferring to ACPL's

⁵ Cabinet minute, "Local Government Auckland Governance Reform: Council-Controlled Organisation Structure", 5 July 2010, CAB Min (10) 24/8.

⁶ Hon Rodney Hide, "Appointments to boards of Auckland Council CCOs", Beehive media release, 30 August 2010; also *New Zealand Gazette*, No 113, 2 September 2010.

⁷ Cabinet briefing paper, "Appointments to boards of council-controlled organisations of the Auckland Council", 24 August 2010.

⁸ For an example, see Auckland Waterfront Development Agency Ltd's draft constitution and SOI in Volume 2, *Attachments: Council-Controlled Organisations*.



management and control and to reduce disruptions due to the loss of institutional knowledge in relation to ongoing developments.

- 10-21 ACPL’s balance sheet includes working capital only. A prospective budget for 2011/2012 indicates operating costs of approximately \$6 million per year.⁹ As noted above, these costs will be recovered through management fees charged in advance to Auckland Council on a quarterly basis. ACPL will also charge Auckland Council and other CCOs for activities undertaken on their behalf, on a cost recovery basis.

3: Transition

Affected entities

- 10-22 ACPL integrated and replaced the following on 1 November 2010:
 - Rodney Properties Limited

⁹ See *Auckland Council’s Long-term Plan, Volume 4*, pp. 35–38 for a summary of ACPL’s financial position, including funding assumptions.

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- Tomorrow's Manukau Properties Limited and subsidiary TMPL (Flat Bush) Limited
 - Waitakere Properties Limited.
- 10-23 The rights and interests of former local authorities in the following continuing entities transferred to Auckland Council on Day One and are managed by ACPL on behalf of the council:
- Araparera Forestry
 - Waste Disposal Services
 - Whitford Quarry.¹⁰

Distribution of assets, liabilities, and other obligations

- 10-24 All property assets and associated liabilities that are intended to be managed by ACPL have been transferred to and become assets and liabilities of Auckland Council.

Implementation

- 10-25 ACPL is required to bring a commercial discipline approach to the management of property assets, but will not own the property and other interests under its management and control. Accordingly, the Transition Agency sought to establish the required mechanisms to enable ACPL to operate in a way that allows it to achieve its objectives. Auckland Council will need to ensure that ACPL can work efficiently. In particular, the Transition Agency intended that ACPL's budgets would be set in a way that promotes ACPL's management and control of assets within its responsibility and allows it to operate as an effective and efficient property manager and place-shaper, with the intended degree of independence from Auckland Council. It was intended that ACPL would have full authority to make commercially strategic operational decisions regarding the allocation of costs and revenues throughout the financial year to meet the requirements of ACPL's asset management plans, acquisition and disposal strategies, business and project plans, and the financial mandate of the combined activity budgets. This included the ability to allocate the combined budget to particular properties, projects, and interests across the full range of ACPL's activities.
- 10-26 These intentions are recorded in the SOI, but will require the commitment and cooperation of Auckland Council to implement in practice. In particular, it will require a strong relationship between ACPL and relevant units within Auckland Council (and other relevant CCOs).
- 10-27 The specific implementation issues outlined in Table 10-1 (see following pages) were identified and will need to be managed on an ongoing basis.

¹⁰ Local Government (Tamaki Makaurau Reorganisation) Council-controlled Organisations Vesting Order 2010, clause 9.

Table 10-1: Specific issues identified for the successful operation of Auckland Council Property Ltd

| Risk | Explanation of risk | Mitigation strategies |
|--|--|---|
| Operational mandate | Achieving ACPL's objectives depends on it having the appropriate mandate to make decisions on a commercial basis, without having to seek approval from the council for every decision it makes. The risk is that in the absence of such authority, ACPL will not be able to function effectively and will be hampered by council administrative processes. Examples include the need to establish ACPL as the council's agent to undertake acquisitions and disposals and to enter agreements relating to property under its management and control. | The SOI (and planning document) has recorded the need for ACPL to have budgets set in a way that provides discretion in decision making. This depends on implementation on an ongoing basis by Auckland Council. The SLA establishes an agency relationship between ACPL and the council and ACPL's authority and power over all of its activities. It also sets out the support required from Auckland Council. |
| Funding identification and budget allocation | In the past property maintenance may have been underfunded and maintenance has been difficult. There is a risk that ACPL facilities management and renewals budget may not be adequate. In some cases direct information from existing asset management plans and LTCCPs is not available, and funding will be based on best practice industry standard comparative. The timing around identification of appropriate costs for inclusion in ACPL budgets may not match the timing for the production and lock-down of the AC planning documents. Potential risks around ability to identify ACPL funding. Property acquisition/disposal budgets have not yet been isolated or consolidated. There is a risk that ACPL has responsibility for acquisition and disposal programme but the relevant appropriation might not be clearly identified in the planning document leaving the issue to be resolved in the 2011/2012 annual plan negotiations. | Planning document to allocate separate budget for ACPL corresponding to AMP and acquisitions budgets in existing LTCCP for ACPL portfolio and make appropriate allowance for potential shortfalls. Expectation of priority allocation of funding, i.e. that ACPL will be fully funded in preference to AC Property, will be recorded in the planning document and the need to deal with underfunding or misallocations addressed between AC and ACPL as part of the 2011/2012 annual plan process. ACPL is building AC funding obligation into the SLA. |
| Reliance on provision of shared/supplied services | The effective and efficient delivery by ACPL of its activities is dependent upon the cooperation of various Auckland Council departments (including AC Property, AC Finance, and AC Planning) and Auckland Council providing and giving access to certain shared services. This raises the following key transition risks: <ul style="list-style-type: none"> • reliance by ACPL upon AC-supplied services, in particular Centre 9 Call Centre • delays in Auckland Council performing its agreed functions resulting in lost commercial opportunities and inefficiencies • potential friction created by the creation of parallel structures within Auckland Council to manage service delivery property. | The SLA is to include a clear demarcation of responsibilities between ACPL and AC Property. Need for education of both ACPL and AC staff about ACPL's role and responsibilities including specified training for Centre 9 staff. SLA obliges AC to respond in timely manner and provide services in accordance with specified criteria. ACPL to retain the ability to enlist independently sourced services if shared services supplied by AC are affecting its ability to function efficiently. |

Table 10-1 *contd*

| Risk | Explanation of risk | Mitigation strategies |
|---|--|--|
| Facilities management – Interdependencies and sharing of FM services and costs | Facilities management and maintenance contracts will apply across properties in portfolios managed and controlled by different CCOs. This is likely to result in operational issues, risks around monitoring performance, invoicing/payment issues, etc. | <p>FM contracts register has been prepared. Proposed agreement between relevant CCOs providing clear demarcation of responsibility as follows:</p> <ul style="list-style-type: none"> • Each party responsible for FM contracts relating to its portfolio. • Where FM contracts are across multiple portfolios, AC Property will coordinate FM contracts until unbundling. • Call centre (Centre 9) to take all calls. • Requires knowledge base/escalation process to be clear that the right calls go to the right people. • Contracts register has been prepared and unbundling and allocation exercise is being undertaken. |
| Attracting skilled employees | The operation of ACPL as a cost-recovery, rather than profit-producing, entity could inhibit attracting highly skilled professionals to the management and directorship of the organisation. | Provide an incentive strategy by linking KPIs to the AC's financial performance and ACPL's non-financial performance. |
| Loss of knowledge on key projects | Operational inefficiencies, disputes, lost opportunities, and general project risks arising from the loss of key personnel with the knowledge, expertise, and relationships in respect of activities and projects to be managed and controlled by ACPL. | ACPL to contract back key personnel on a short-term basis to ensure business continuity and retain existing knowledge and give the ACPL directors time to understand project issues. |
| Appointment of directors/ representative to JVs | Current director/representative appointments to existing JV boards and committees (e.g. WDS) to be considered to avoid business continuity risks. | Consideration of whether existing representatives should be retained or new representatives appointed. |

Abbreviations: AC, Auckland Council; ACPL, Auckland Council Property Ltd; AMP, asset management plan; CCO, council-controlled organisation; FM, facilities management; JV, joint venture; KPI, key performance indicator; LTCCP, long-term council community plan; SLA, service level agreement; SOI, statement of intent; WDS, Waste Disposal Services.

Auckland's waterfront has long been recognised as having the potential to be an internationally recognised asset for New Zealand, an attractive gateway to Auckland, and a drawcard for locals and tourists. The purpose of the Auckland Waterfront Development Agency Limited (AWDA) is to realise that potential.

- 11-1 This chapter outlines arrangements for AWDA, one of the substantive council-controlled organisations (CCOs) within the Auckland Council governance structure. The chapter is in three sections. Section 1 provides a general overview of AWDA and its orientation within Auckland Council. It then describes the purposes and objectives of the CCO and how they will be achieved. Section 2 outlines AWDA's structure and the way in which its activities will be undertaken, including the role of the board and the resources that will initially be employed in the process. Section 3 canvasses important transition and other matters affecting the CCO's establishment and early performance.

1: Overview

Purposes and objectives

- 11-2 AWDA's objectives include the following:
- leading a strategic approach to developing the Auckland waterfront consistent with the Auckland Council's vision
 - developing property that AWDA owns or controls, consistent with the council's vision
 - acting in a commercial way to achieve development objectives, including investing in projects and places that secure high-quality urban transformation outcomes.
- 11-3 The establishment of AWDA provides for the consolidation of the waterfront-related entities existing during the transition period (24 May 2009 to 31 October 2010) into a single CCO with a clear focus on the ongoing development of the waterfront area as shown in the map on page 224.
- 11-4 AWDA's orientation with the other substantive CCOs of Auckland Council is depicted in Figure 4-1 on page 117.

Background

- 11-5 The Auckland waterfront, in the heart of the city's central business district (CBD), is a unique area of the city and region. There is an aspiration for this waterfront to be
- redeveloped into a lively, bustling, and safe destination for all people
 - an area rich in character and activities that links people to the city and sea

- a place that excites the senses and celebrates our sea-loving Pacific culture and maritime history
 - an area that retains the working waterfront character and functions
 - an attractor for commercially successful and innovative businesses.
- 11-6 The sentiment outlined above is drawn from the Auckland Waterfront Vision 2040, developed in 2005 by the Auckland Regional Council (ARC) and Auckland City Council (ACC) in consultation with a wide range of stakeholders.
- 11-7 The proposal agreed by Cabinet¹ and subsequently enacted in legislation² provided for the Auckland Transition Agency (“Transition Agency”) to establish a CCO with responsibility for the development of the Auckland waterfront. Under the Transition Agency’s proposal, Auckland Council is charged with revisiting and refreshing the Auckland Waterfront Vision 2040 to provide the strategic lead to AWDA.
- 11-8 As noted above, the purpose of AWDA is to realise the potential for Auckland’s waterfront to be a national asset, an attractive gateway to Auckland, and a drawcard for residents and tourists. International coastal cities comparable to Auckland have found that their economic performance is significantly advanced when their waterfront is developed and well managed. Such areas become attractors for skilled talent, tourism, investment, and people.³
- 11-9 Accordingly, AWDA will
- develop the waterfront in line with the vision expressed by the Auckland Council on behalf of Aucklanders
 - manage the waterfront as a coherent whole, delivering high-quality architecture, quality urban design and public open space, and improved connections and integration with the CBD and surrounding city
 - rationalise the landholdings of Auckland Regional Holdings (ARH), ACC, ARC’s share of Queens Wharf, and the business of two former CCOs (ARH and Sea + City Projects Ltd)
 - act as a company with a board
 - be able to act commercially, investing in projects and places that secure high-quality urban transformation outcomes.
- 11-10 The proposal agreed by Cabinet leading to the establishment of AWDA also stipulated that any transition to the new arrangements would need to ensure continued momentum and progress of key waterfront projects, particularly in the lead-up to Rugby World Cup 2011 (RWC 2011). (See “Rugby World Cup 2011” on page 194 for details.)
- 11-11 The Transition Agency’s intention was that AWDA would achieve its objectives through the following activities:
- ensuring projects being undertaken for use during the RWC 2011 are delivered on time (e.g. North Wharf and Jellicoe Street development)
 - developing and implementing a waterfront masterplan on behalf of, and in consultation with, Auckland Council
 - delivering projects and services that support the Auckland Council vision for the waterfront

¹ Cabinet minute, “Royal Commission on Auckland Governance: Proposed high level Government response”, 6 April 2009, CAB Min (09) 12/7.

² Local Government (Tamaki Makaurau Reorganisation) Amendment Act 2010, section 18 inserting section 19B into the Local Government (Tamaki Makaurau Reorganisation) Act 2009.

³ Auckland Transition Agency, *Discussion document: Council-controlled organisations of Auckland Council*, March 2010, p. 34.

- delivering high-quality architecture and quality urban design and public open space, as well as improved connections and integration with the CBD and surrounding city
- setting standards for, and working closely with, other CCOs, particularly Auckland Transport, Regional Facilities Auckland, and Auckland Tourism, Events and Economic Development Limited to deliver quality urban outcomes in the waterfront area of ownership and influence.

How the CCO will achieve its purposes and objectives

- 11-12 As well as the activities set out above, AWDA can add value to both integrated and continuing organisations (see paragraph 11-35) and meet its purposes and objectives by
- developing a specific role and brand in Auckland Council’s wider strategic environment for the key waterfront area
 - acting in a commercial way in achieving its development objectives.
- 11-13 In particular, AWDA is able to own and manage property, and encourage and facilitate development and investment. This includes acting as a landlord, developing infrastructure, capturing the value of its assets to stimulate investment, and reinvesting back into the area.
- 11-14 AWDA is also expected to develop and maintain relationships with key stakeholders, particularly
- the Auckland Council mayor, chief executive, council committees, and the local board
 - Auckland Council departments and other CCOs
 - central government
 - CBD and waterfront business and user associations
 - Ports of Auckland Ltd
 - land owners and residents
 - development, utilities, and infrastructure sector and the finance community
 - industry sectors – for example marine, fishing, cruise.

2: Structure

- 11-15 AWDA’s structure focuses on maintaining continuity for the development and management of land and property in the Wynyard Quarter and the provision of marina services, as well as the ability for an enhanced and integrated view across the wider waterfront. The immediate focus is on completion of projects in time for RWC 2011.

Organisational form

- 11-16 AWDA will operate as a limited liability company (under the Companies Act 1993) and a wholly owned CCO of the Auckland Council (under the Local Government Act 2002).

Governance structure

- 11-17 Under section 48 of the Local Government (Tamaki Makaurau Reorganisation) Act 2009, the Minister may appoint the initial directors of a CCO, including those acting as the chair and deputy chair, until the Auckland Council makes any appointment to these positions.

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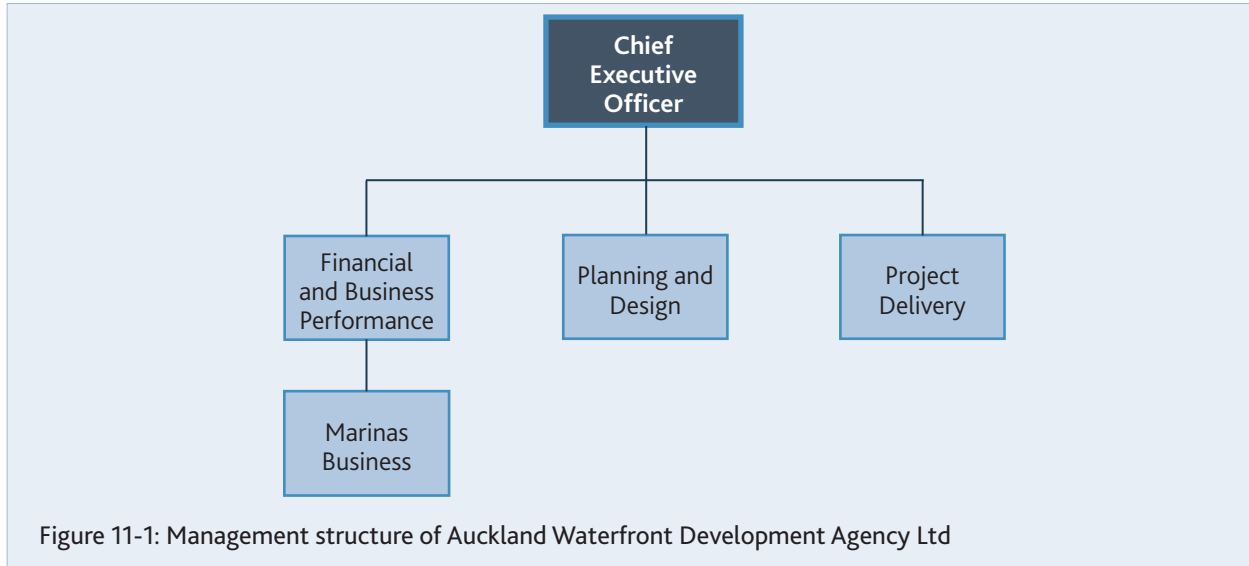
- 11-18 Cabinet agreed that the AWDA Board would comprise up to seven directors who have the relevant private sector experience and expertise to enable AWDA to deliver on its purpose and objectives.⁴ Subsequently, a five-strong initial board of directors was appointed headed by Bob Harvey.⁵ Other members are Adrienne Young Cooper (deputy chair), Kerry Stotter, Ngarimu Blair, and Terry Kayes. Auckland Council is entitled to appoint a further two directors to the AWDA Board after 1 November 2010.⁶ (For further details of the appointment process for CCO boards, see page 142.)
- 11-19 The board's statutory role is to set the strategic direction for the company, reflecting the letter of expectations setting out Auckland Council policy and directions and the statement of intent (SOI) negotiated with Auckland Council and delegating the implementation of the functions of AWDA to the chief executive.
- 11-20 The Transition Agency prepared a draft constitution for AWDA and an SOI for the period to 30 June 2013 for the Auckland Council to consider and adopt. These draft documents are included in Volume 2, *Attachments: Council-Controlled Organisations*.
- 11-21 In order for AWDA to achieve its mission for the Auckland waterfront to be an internationally recognised asset for New Zealand, an attractive gateway for Auckland, and a drawcard for locals and tourists, the draft SOI identifies four key goals to pursue over the next three years:
- leading a strategic approach to development across the waterfront consistent with Auckland Council's vision
 - developing property that AWDA owns or controls, consistent with Auckland Council's vision
 - acting in a commercial way to achieve development objectives, including investing projects and places that secure high-quality urban transformation outcomes
 - developing and maintaining relationships with key stakeholders and the Auckland public.
- 11-22 AWDA can own property and, as noted above, will be expected to encourage and facilitate development and investment by acting in a commercial way, including acting as a landlord, in order to capture the value of its assets to stimulate investment and allow reinvestment back into the community. The Transition Agency contended that owning the relevant properties in the AWDA portfolio makes the board accountable for the balance sheet and provides transparency to the public.
- 11-23 International experience of successful development agencies has demonstrated that they need to have the capability to own, buy, sell, and lease land, borrow funds, and be able to enter into joint ventures with the private sector and drive urban transformation. This is a fundamental tool that these agencies have to encourage the redevelopment of brownfield areas and attract economic growth.
- 11-24 The ability to manage assets in a commercial way enables them to achieve wide-ranging public benefits, through providing the private sector with the confidence to invest in the area. This generates a virtuous cycle of investment back into the area and to the community.⁷

⁴ Cabinet minute, "Local Government Auckland Governance Reform: Council-Controlled Organisation Structure", 5 July 2010, CAB Min (10) 24/8.

⁵ Hon Rodney Hide, "Appointments to boards of Auckland Council CCOs", Beehive media release, 30 August 2010; also *New Zealand Gazette*, No 113, 2 September 2010.

⁶ Cabinet briefing paper, "Appointments to boards of council-controlled organisations of the Auckland Council", 24 August 2010.

⁷ Further information is available in the SGS Economics and Planning Pty Ltd report for the Ministry for the Environment, *Catalysing positive urban change in New Zealand*, June 2006 (available from <http://www.mfe.govt.nz/publications/urban/>, accessed November 2010).



Management structure and responsibilities

11-25 As shown in Figure 11-1, the chief executive will have three directly reporting divisions: Financial and Business Performance, encompassing the Marinas Business; Planning and Design; and Project Delivery.

11-26 The primary functions of AWDA are reflected in the following responsibilities and roles to be undertaken by management and which have been designed to ensure that the purposes and objectives of AWDA are met:

- The chief executive officer will take the lead position on the following:
 - adopting a holistic approach to regenerating the Auckland waterfront
 - driving excellence in urban development through strategic policy implementation
 - developing a strong identity and brand nationally and internationally
 - setting the benchmark for delivering best practice, innovation, and sustainability
 - setting service standards and balancing commercial imperatives against social and environmental considerations.

- The financial and business performance manager will take the lead position on the following:
 - financial planning and policy and providing financial advice and reporting to the chief executive and board
 - communications and stakeholder engagement
 - responsibility for the Marinas Business.

The marinas business unit will continue on a “no change” basis. Its manager will continue to manage 19 marina staff and five contractors. The unit includes the facilities part of the marina business, which has the responsibility for managing the marina trusts, business, water space, and related services at the Westhaven Marina, Z Pier and Viaduct Harbour marinas, and The Landing at Okahu Bay; managing operational activities, the day-to-day business, and logistics of the recreational and commercial marinas and hardstands; and facilitation of marine events (e.g. Auckland Boat Show, Louis Vuitton Trophy series, Volvo Ocean Race).

- The planning and design manager will manage the Planning and Design Division to deliver on a regenerated waterfront. The division will have a key role in
 - implementing a zone of integration between the AWDA area of ownership and influence (see map, Figure 11-2 overleaf) and the adjacent land and water space, including the CBD

- maintaining a coherent set of documents (e.g. design framework, sustainable development targets), which ensure public consensus along the design journey
 - using a combination of techniques to enhance urban development outcomes
 - negotiating the implementation tools to get things done (e.g. some advocacy with Government, some legislative change over time)
 - working with and learning from other international waterfront development agencies (e.g. Melbourne).
- The project director will lead the Project Delivery Division, which will have the following functions:
 - management and delivery of physical works in the private and public realm within the area of ownership
 - procuring expert services to deliver projects
 - undertaking risk assessments, and managing and recording health and safety responsibilities and activities during planning and construction processes
 - developing and maintaining relationships with the private sector, Auckland Council departments, and CCOs (in particular Auckland Transport and RFA) that will be delivering services on behalf of AWDA
 - responsibility for site management after redevelopment is completed.

Size and scope

- 11-27 AWDA's primary activity from Day One is to manage its assets of more than \$350 million, much of this value being composed of ARH's Wynyard precinct property and ARC's part-share in Queens Wharf.
- 11-28 An initial staff of approximately 50 full-time equivalents has been provided for, with ongoing work associated with the maintenance and upkeep of assets such as Westhaven and Downtown Marinas being partially contracted out.
- 11-29 Forecast revenue for the eight-month period to 30 June 2011 is estimated to be approximately \$30 million, with a surplus before tax of \$5.7 million.⁸
- 11-30 Geographically the scope of AWDA covers two areas as outlined below and shown in the map (Figure 11-2 opposite):
- a defined area of ownership that includes all land, with the exception of roads and other transport assets, that is owned and leased by outgoing local authorities or CCOs, being land from Harbour Bridge Park in the west to Teal Park in the east and north of Westhaven Drive, Fanshawe Street, Lower Hobson Street, and Quay Street (but excluding land owned by Ports of Auckland Ltd and private landowners)
 - an area of influence extending to the original 1840 foreshore of the harbour, which includes Beach Road, Customs Street, Fort Street, Quay Street, Fanshawe Street, Britomart, and the Strand.

⁸ For a summary of AWDA's financial position, see *Your Auckland, Auckland Council's Long-term Plan, 1 November 2010–30 June 2019, Volume 4: Council-controlled organisations*, pp. 49–52 (available from www.aucklandcouncil.govt.nz, accessed November 2010). The planning document for Auckland Council is also provided in Volume 3 of this report.

Key working relationships

- 11-31 As noted above, AWDA has a direct interest in public and private land and the associated activities around the waterfront. Some of these areas fall into the jurisdictional responsibilities of the Auckland Council and Auckland Transport. Accordingly, the Transition Agency established AWDA to give particular recognition to the fact that
- Auckland Council is the overall regulatory body and will set direction through its vision, spatial plan, district plan, long-term council community plan, and other associated statutory instruments
 - everything designated as road reserve, including Quay Street, roads on Wynyard Point, and that part of Curran Street within AWDA's area of influence, will be controlled by Auckland Transport
 - any public transport infrastructure not included in the above two categories will be controlled by Auckland Transport.
- 11-32 Where such jurisdictional responsibilities apply, AWDA will work closely with the other agencies to ensure quality outcomes. To enable effective working relationships, the Transition Agency prepared draft service level agreements between the relevant agencies.
- 11-33 Interaction with the Auckland Council or other CCOs will be managed through a number of mechanisms:
- legacy plans for Day One (district plans and waterfront vision and master plan) and future strategic planning requirements (e.g. the spatial plan)
 - strong working relationships between the AWDA Board and the mayor, as well as strong working relationships between the staff and the various agencies
 - AWDA's SOI
 - service level agreements between relevant agencies.
- 11-34 With regard to levels of service for AWDA, the Transition Agency anticipated that the most appropriate service provider would be sought for all services provided by AWDA (e.g. legal, property advice, communications advice) and that if any of these services were sought from the Auckland Council they would be contracted on a cost-recoverable basis. Where a higher level of service was required in the area of ownership, this would be a cost to AWDA.

3: Transition

Affected entities

- 11-35 Entities affected by the establishment of AWDA fell into one of two categories: entities/assets fully integrated into AWDA on 1 November 2010 and interests/contractual rights of ACC to be transferred to the CCO. Table 11-1 opposite summarises the assets and organisations transferred to AWDA on 1 November 2010 and the method of transfer.
- 11-36 Entities/assets fully integrated into AWDA are
- ARH's Wynyard Precinct property
 - Sea + City Projects Ltd

Table 11-1: Transfers to Auckland Waterfront Development Agency Ltd on 1 November 2010

| Asset/Organisation | Transferring entity | Method of transfer (see notes) |
|---|---------------------------------------|--|
| ARH's Wynyard Precinct property (including Headland Park) | ARH (CCO) | Reorganisation Act, section 39 and Schedule 4, as amended (note 1) |
| Assets and liabilities of Sea + City Projects Ltd | Sea + City Projects Ltd (CCO) | Reorganisation Act, section 38 and Schedule 4, as amended (note 2) |
| Auckland Transport Infrastructure Ltd | Auckland Transport Infrastructure Ltd | Reorganisation Act, section 38 and Schedule 4, as amended (note 2) |
| ACC's waterfront assets | ACC | Reorganisation Act, section 36, as amended (note 3) |
| Auckland Regional Council's part-share in Queens Wharf | Auckland Regional Council | Reorganisation Act, section 36, as amended (note 3) |
| Shares in Westhaven Marina Ltd | ACC | Reorganisation Act, section 36, as amended (note 3) |
| Shares in Downtown Marina Ltd | ACC | Reorganisation Act, section 36, as amended (note 3) |

Abbreviations: ACC, Auckland City Council; ARH, Auckland Regional Holdings; CCO, council-controlled organisation; Reorganisation Act, Local Government (Tamaki Makaurau Reorganisation) Act 2009.

1 Reorganisation Act, section 39 ("Vesting of assets, etc, of terminating organisations in entities other than receiving entity") was inserted by the Reorganisation Amendment Act 2010, section 26. The Reorganisation Act, Schedule 4, as amended by the Local Government (Tamaki Makaurau Reorganisation) Terminating Organisations Order 2010, clause 4, lists ARH as a terminating organisation with Auckland Council as its receiving entity. The Local Government (Tamaki Makaurau Reorganisation) Council-controlled Organisations Vesting Order 2010, Schedule 2, specifies property of ARH that is vested in AWDA.

2 Reorganisation Act, section 38 ("Terminating organisations") was inserted by the Reorganisation Amendment Act 2010, section 26. The Reorganisation Act, Schedule 4, as amended by the Local Government (Tamaki Makaurau Reorganisation) Terminating Organisations Order 2010, clause 4, lists Sea + City Projects Limited and Auckland Transport Infrastructure Limited as terminating organisations and AWDA as their receiving entity.

3 Reorganisation Act, section 36 ("Vesting of assets, etc, of existing local authorities in entities other than Auckland Council") was inserted by the Reorganisation Amendment Act 2010, section 26. This allows for the transfers to be made via Orders in Council issued before 1 November 2010. The Local Government (Tamaki Makaurau Reorganisation) Council-controlled Organisations Vesting Order 2010, Schedule 2, specifies property of ACC and ARC that is vested in AWDA.

- Auckland Transport Infrastructure Ltd (a shell company wholly owned by Sea + City Projects Ltd)
- ACC's waterfront assets
- ARC's part-share in Queens Wharf.

11-37 Interests/contractual rights of ACC that transferred to AWDA are

- Westhaven Trust
- shares in Westhaven Marina Ltd
- Westhaven (Existing Marina) Trust
- Westhaven (Marina Extension) Trust
- shares in Downtown Marina Ltd.

11-38 The Westhaven and Downtown Marinas will continue to be managed on a "no change" basis. Westhaven Marina Ltd is the corporate trustee of the three Westhaven trust entities. As shareholder of Westhaven Marina Ltd and Downtown Marina Ltd, from 1 November 2010 AWDA has the right to appoint directors to the board of each company.

Implementation

- 11-39 AWDA is a small CCO responsible for planning, marina services, and project delivery functions in its defined areas of ownership and influence. It will have complex interface issues with Auckland Council, other CCOs, and delivery agencies. As AWDA is a place-based entity, the Transition Agency undertook significant work to establish its geographical area of ownership and influence.
- 11-40 The approach taken by the Transition Agency in respect of staff and contractors was to retain institutional knowledge and service levels, particularly for the team working on the RWC 2011.
- 11-41 The Transition Agency identified a number of future risks.
- 11-42 The key risk relates to project funding. Issues include the following:
- The Transition Agency anticipated that AWDA's overall financial position would be revisited early on by Auckland Council in order to identify any affordability issues for key projects.
 - In the establishment of AWDA, the Transition Agency was concerned to ensure that funding was not diverted from its focus on delivery. A full disclosure of the funding from all councils was undertaken by the Transition Agency and the output of this was mapped into the indicative financial plan for AWDA.⁹
 - The generation of future returns from private investment in development along the waterfront is related to the level of investment in infrastructure and other preparatory works and facilities. Continuity of funding for these investments is necessary to maintain momentum.
 - The ability to maintain revenue forecasts is related to the strength of the Auckland and New Zealand economy and, in particular, the property and development sectors, as well as the marina and tourism sectors.

Summary of ongoing projects

- 11-43 A number of key waterfront projects (see Figure 11-2 on page 224, with detail in Figure 11-3 opposite) need to maintain momentum in the short to medium term. These include the following projects, which require completion before RWC 2011 (August 2011):
- Site 14: North Wharf retail, restaurants, and bars
 - Gateway Plaza
 - construction/completion of Jellicoe Plaza, Jellicoe Street West, Jellicoe Street East, and North Wharf
 - Queens Wharf redevelopment temporary option and future cruise ship terminal (Auckland Regional Council and New Zealand Government project)
 - development of the Viaduct Events Centre (ACC project)
 - Silo Park
 - Wynyard Crossing (Te Wero Island pedestrian and cycle access).
- 11-44 Other key projects include
- Sites 15 and 25
 - Hotel Development Site (Halsey St Reclamation) and Sites 18–26
 - Marine Development Corner Jellicoe and Beaumont Streets.

⁹ See *Auckland Council's Long-term Plan, Volume 4*, pp. 49–52.



Figure 11-3: Auckland Waterfront Development Agency's ongoing projects
 (Detail of Figure 11-2 on page 224. For orientation within waterfront area and legend, see Figure 11-2.)

11-45 In addition there are a number of negotiations that the Transition Agency undertook with several landowners that will need AWDA's attention over the short and medium term. These include the bulk storage terminal lease realignment and bulk liquids industry relocation.