

Council-controlled organisations of Auckland Council

- Council Investments –
 - Economic Development, Tourism and Events –
 - Major Regional Facilities –
 - Property Holdings –
 - Waterfront Development Agency –
-

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Executive summary

The purpose of this discussion document is to outline the proposals of the Auckland Transition Agency (**ATA**) for the rationalisation of council-controlled organisations (**CCOs**) in the new Auckland Council¹ structure. There is some discussion on the perceived advantages and disadvantages of CCOs. Feedback is sought in Part 5.

A CCO is a company or organisation in which one or more local authorities control 50% or more of the votes or have the right to appoint 50% or more of the directors (or trustees) of the company or organisation – i.e. the company or organisation is controlled by one or more councils. A council-controlled trading organisation (**CCTO**) is a CCO that operates as a trading undertaking for the purpose of making a profit. A council organisation (**CO**) is a company or organisation in which one or more local authorities have voting rights or the right to appoint one or more directors or trustees.

There are approximately 40 CCOs in the Auckland Region, including CCTOs. The ATA is required to rationalise the wholly local authority owned entities to enable the new Auckland Council (the Governing Body) to operate effectively and efficiently [Cabinet Minute (CAB Min) (09) 42/21].

The current extensive use of CCOs reflects their advantages for some functions. They enable councils to make use of commercial disciplines and specialist expertise that may not be available within the council itself. Using these skills, CCO boards are able to add value to CCOs and help them to better achieve their objectives, which are set by the council. Going forward, CCOs will also play an important role in giving effect to the Auckland Council's strategic direction, including the Spatial Plan and associated strategies relevant to each CCO.

CCOs exist under the democratic process and the ultimate accountability of the elected council to the ratepayers. It is the council, in conjunction with the community, which sets the objectives and accounts to the ratepayers for the performance of the CCOs. This model therefore relies on strong, effective accountability mechanisms between the council and the CCO. These include:

- being required to give effect to the Spatial and other Auckland Council plans;
- agreeing annually a Statement of Intent (SOI) with Auckland Council, which will be made public;
- reporting six monthly and annually to Auckland Council, these reports are audited by the Auditor General;
- the performance of the CCO being monitored by the Auckland Council Governance and Monitoring Unit; and
- appointment by Auckland Council of board members (after initial boards have been appointed by the relevant Minister(s)) and the power to remove board members.
- CCOs being subject to the access to information provisions of the Local Government Official Information and Meetings Act 1987 and the Ombudsmen Act 1975.

Provision is made in the Local Government (Auckland Law Reform) Bill (the Third Bill) for Auckland Council to require additional monitoring requirements including;

- reporting quarterly; and
- Auckland Council to agree a long-term plan for the CCO covering a ten year period.

1. The Governing Body

The Local Government (Auckland Council) Act 2009 makes it clear that unlike any other local authority, decision making is shared between the Governing Body (the Mayor and twenty elected councillors) and Local Boards.

CCOs will need to recognise the unique nature of decision making by the Auckland Council, including Local Boards, and act accordingly. It is recommended that the SOI agreed with the Auckland Council will require CCOs to take account of the views of Local Boards.

This document sets out the ATA's proposals for rationalisation of the existing CCOs and the structure of the following CCOs that will be owned by, and report to, Auckland Council²:

- Council Investments
- Economic Development, Tourism and Events
- Major Regional Facilities
- Property Holdings
- Waterfront Development Agency

This document is in five parts:

- **Part 1**, sets out the background of Cabinet decisions to date, the characteristics of CCOs and design factors.
- **Part 2**, overviews how CCOs will be accountable to the Auckland Council and other stakeholders.
- **Part 3**, outlines the proposed CCO structure for the Auckland Council.
- **Part 4**, for each CCO, outlines the benefits of having that CCO, the main functions, what existing entities could transfer to the CCO, how other entities might be dealt with and other matters.
- **Part 5**, poses the discussion questions on which feedback is sought.

The key dates for the finalisation of the CCO organisation structure are:

- **1 March 2010**
Release of this discussion document for feedback and discussion.
- **26 March 2010**
Last day for feedback on the proposed CCO structure.
- **Late April 2010**
Following consideration of feedback received, the number and nature of CCOs and the allocation of their activities are finalised for Cabinet approval.

2. A Discussion Document on the Auckland Transport Agency has already been published and a similar process is underway for Watercare Services Limited

Part 1
Introduction

Cabinet decisions to date

Cabinet has approved the establishment by the ATA of a Waterfront Development Agency and given approval, in principle, to other CCOs dealing with economic development, tourism and events; property holdings; major regional facilities; and Council investments [Cab Min (09) 42/21 refers].

Cabinet agreed that the following criteria should be used to assess proposals for the establishment of new CCOs:

- that the proposals would address inconsistencies in service delivery methods across the existing local authorities to achieve a consistent approach for the new Auckland Council; and
- that the proposals would eliminate multiple CCOs with the same purpose to provide the Auckland Council with a consolidation of existing entities.

These criteria are in addition to the criteria outlined in the Third Bill: “Overview of Process and Assessment of Issues for Inclusion” paper [AGR Min (09) 10/2 refers]. This paper stated that the proposals for the establishment of new CCOs should:

- meet good governance principles of being:
 - democratic – including accountable and transparent decision-making, effective leadership, stewardship, ratepayer and citizen redress; and
 - efficient and effective – including vertical alignment of strategic planning, funding, asset management and implementation (integrated decision-making), maximises value for money, alignment of costs and benefits, arrangements remain effective over time, economies of scale, and decision-makers taking a long-term view in their decision-making.
- be feasible to implement within desirable timeframes – transitional arrangements should enable any new organisations to conduct business-as-usual and be in place by, or soon after, the Auckland elections in October 2010;
- be consistent with government programmes and initiatives – including the resource management reforms and broader local government framework changes; and
- recognise the Treaty of Waitangi.

Relevant discussion documents already released

The ATA published a discussion document on 2 November 2009 setting out the draft structure for the Auckland Council along with the draft protocols and processes that will guide staff transition. It is these same protocols and processes that will be followed when determining the final structure of the CCOs.

In addition a Cabinet paper containing proposals for the structure of CCOs for the Auckland Council was released on 3 December 2009 [Cab Min (09) 42/21]

At the same time a diagram (refer to page 16) was released showing the proposed CCO framework which anticipates the appointment of an Advisory Board and Governance and Monitoring Unit with Auckland Council to provide governance advice and support to the relevant Council Committee providing oversight of CCOs.

Discussion documents for staff have already been issued for Auckland Transport and a similar process is underway for Watercare Services Limited. This document does not include the organisation structures for either of these entities.

Why do we have CCOs?

Before the concept of CCOs and their predecessors local authority trading entities (**LATEs**), local authorities had the power to carry out their works by using their own staff, the Crown or Crown agencies, other local authorities, other persons and other organisations. Local authorities could form or participate in companies, trusts, partnerships, joint ventures and other bodies to carry out those works.

From 1989 councils were able to establish LATEs. The Local Government Act 2002 replaced LATEs and introduced CCOs. Introducing CCOs was a way for councils to better exercise stewardship responsibilities by introducing common accountability requirements for both commercial and non-commercial entities, while retaining Council control.

The Report by the Royal Commission on Auckland Governance published in March 2009 includes a chapter on Council Organisations and Council-Controlled Organisations (Chapter 21) which describes the principal objectives and the benefits of placing activities into CCOs.

The Royal Commission's view on the use of CCOs included the following statement (paragraph 21.46 of the Report): "For the Auckland Council to plan and deliver the infrastructure and services to meet its requirements, it will need access to the best commercial and engineering expertise and resources. CCO structures and boards of directors can bring these required skills and expertise."

The Report (paragraph 21.13) states the principal objectives of a CCO as set out in Section 59(1) of the Local Government Act 2002 as being to:

- achieve the objectives of its shareholders, both commercial and non-commercial, as specified in the statement of intent (**SOI**);
- be a good employer;
- exhibit a sense of social and environmental responsibility; and
- if the CCO is a council-controlled trading organisation (**CCTO**, which is a CCO which trades for profit), to conduct its affairs in accordance with sound business practice.

Critics of the use of CCOs argue that devolvement of functions to CCOs is undemocratic and that all services should be provided by employees directly answerable to elected councils. The belief underpinning these views is that CCOs work too independently and the council and general public is powerless to influence them (paragraph 21.35 of the Report).

The Report (paragraph 21.14) describes the perceived benefits of placing activities in CCOs, which include:

- improved commercial focus, that is, operating a company with a professional board of directors with the objective of achieving a greater operating efficiency;
- ring-fencing financial risk using an incorporated structure to insulate a council from financial liability for an activity or venture involving other parties such as a joint venture;
- empowering local communities, that is, creating a trust with a set budget funded by a council but managed by a community for a specific purpose such as maintaining a community centre; and
- tax effectiveness, that is, obtaining dividend imputation credits on the tax that councils pay on dividend income.

Other benefits of CCOs identified by different stakeholders include:

- achieving economies of scale by aggregating similar activities of various local authorities into one regional CCO;
- the ability to streamline bureaucracy; and
- an enhanced ability to recruit and retain highly skilled professional staff where the structures and culture of a council are seen as less attractive than those of a CCO.

CCOs are a model for introducing, through board appointments, commercial disciplines and specialist expertise. These disciplines and expertise can supplement what is available within the council. Using these skills, CCO boards are able to add value to CCOs and help them to better achieve their objectives and the council's long term strategies.

In contrast to councils, CCOs are focussed on achieving a constrained set of business objectives. This brings a unifying focus to the organisation along with efficiencies through a corresponding drive to align resources with the required outcomes.

As opposed to the multifaceted nature of councils, efficiency gains can be made in CCOs through the alignment of systems and processes to the specific needs of the business. In the same way, integrating multiple existing CCOs into a single entity will mean that further efficiencies are possible through the rationalisation of common support functions.

The formation of partnerships and alliances is a further strength of the CCO model. Commonly perceived as being more commercial and flexible than council, CCOs are often able to collaborate more effectively, especially with the private sector.

Lastly, from a council perspective, CCOs are a mechanism by which operations can be managed efficiently allowing council to focus on other matters such as strategy, policy or regulatory functions. This is particularly important given the primary role of Auckland Council to develop policies, strategies, spatial and other plans to drive Auckland forward.

Over time, councils in the Auckland region have established a significant number of CCOs. Appendix 1 provides an overview of the existing entities and how they map to one of the proposed CCOs or to Auckland Council.

Design factors

In addition to the criteria set out on page 6 the ATA has taken into account a number of design factors in the development of the draft structure for the CCOs. These include the following;

- The structure must promote efficiency, leadership and decision making. This approach is consistent with the Royal Commission's recommendations and the Government's response in its Making Auckland Greater document. This means, for example, that:
 - the Auckland Council will not simply replicate the current practices or structures within existing Councils;
 - management roles will be significant and meaningful; and
 - the number of management tiers will be minimised.
- The structure must promote clear accountability from each CCO to the Auckland Council. This requires each CCO to have clearly stated objectives which are set and agreed in alignment with the strategic goals of the Auckland Council. That in turn requires clear performance measures and regular reporting.
- Working relationships and accountabilities between each CCO and Local Boards and other stakeholders must be clearly defined in the SOI.
- A primary focus must be on maintaining and enhancing service delivery to citizens in the region. That means:
 - the structure must allow for the progressive integration of systems and processes over time; and
 - to the extent a CCO needs them, Auckland Council may provide shared services support via commercial service agreements.
- The structure must ensure that local matters are managed appropriately and funding arrangements are not disrupted.

Part 2
Accountability of CCOs

Governance and monitoring

Spatial Plan

In Auckland the overall direction for CCOs will be set by the Governing Body within the Long Term Council Community Plan (LTCCP) process. This process integrates Local Board plans and where applicable Government policy statements. Auckland Council in confirming the Statements of Intent for CCOs must ensure the CCO gives effect to the Spatial Plan and other strategic documents prepared as part of the Annual Plan process. The SOI as agreed between the Council and the CCO will ensure that the CCOs will give effect to the Council planning decisions.

Statement of Intent

The Local Government Act 2002 sections 58 & 59 sets out existing provisions for the accountability and monitoring of CCOs. The Third Bill, as introduced, further strengthens these existing provisions by allowing the Auckland Council to impose additional accountability requirements on substantive CCOs.

Existing requirements under the Local Government Act 2002 include the requirement for a CCO to produce a Statement of Intent (SOI), which is subject to approval by Council as set out in Section 64(1) of the Local Government Act 2002. The SOI publicly states the activities and intentions of the CCO for the year and the objectives to which these activities will contribute. A CCO is also required to produce a half year and annual report on its operations for the existing local authority.

The accountability requirements on CCOs are designed to ensure that CCOs give full and accurate reporting of their activities and are publicly accountable for their activities. Under the Local Government Act 2002, these requirements include:

- an obligation to publish its SOI annually after negotiating the SOI with its controlling Council and ongoing compliance with its SOI and the CCOs governing document (e.g. constitution); and
- preparation of a six-monthly report and annual report, including a statement of service performance comparing actual performance against the SOI, which are audited by the Auditor General.

A number of councils also require, through SOIs, additional reporting requirements from their CCOs.

This can include an obligation to report quarterly.

Existing measures

The Boards of CCOs (after the appointment of the initial Boards) will, as discussed later, be appointed by the Auckland Council. Consistent with provisions in the Local Government Act, the Crown Entities Act and the Companies Act, the Auckland Council would be able to remove members by resolution at any time and for any reason [AGR Min(09)12/1 para13] refers.

CCOs are also subject to the access to information provisions of the Local Government Official Information and Meetings Act 1987 and the Ombudsmen Act 1975.

Additional measures

The Third Bill, as introduced authorises Auckland Council to impose additional accountability requirements on substantive CCOs. A substantive CCO has been defined as a CCO which is wholly owned by the Auckland Council and is either responsible for the delivery of a significant service or activity on behalf of the council, or owns or manages assets with a value of more than \$10 million dollars [Cabinet Minute (CAB Min) (09) 41/16].

Cabinet has agreed for the Auckland Council to be able to require in respect to a substantive CCO, at its discretion:

- a long-term plan covering a minimum ten year period that would set out how the CCO intends to:
 - a. manage, maintain, and invest in its assets;
 - b. maintain or improve service levels;
 - c. respond to population growth and other changing environmental factors; and
 - d. give effect to Auckland Council strategy, plans, and priorities including the spatial plan;
- additions to a SOI to include a narrative on how the CCO contributes to and/or aligns with the Council's, and where appropriate the government's, wider objectives and priorities for Auckland (for example, Spatial Plan); and
- quarterly reporting against the CCOs SOI.

[Cab Min (09) 41/16]

Relationship to Local Boards

As provided for in the Third Bill Local Boards will have extensive non-regulatory powers allocated to them by the ATA and, after 1 November 2010, the Governing Body is able to delegate its regulatory powers, except the power to rate and make bylaws, to Local Boards and powers given to CCOs.

The Governing Body should retain the function of maintaining the governance relationship with CCOs, including agreeing a SOI annually with each CCO. Each SOI should:

- set the CCOs activities (unless prescribed by legislation) objectives, performance measures and reporting requirements; and
- require a collaborative working relationship between the Governing Body, the Local Boards and the CCOs so that the CCOs must take account of the views expressed by Local Boards.

Local Boards can represent the interest of their communities by providing input to the Governing Body as to the development of the SOIs for each CCO.

Local Boards may wish to vary a level of service or project based on the priorities and preferences identified in the Local Board plans. The Governing Body, the relevant CCOs and Local Boards will need to collaborate

on the CCOs work programme.

Local Boards can advocate for their communities in relation to the adequacy of services being delivered by the CCO.

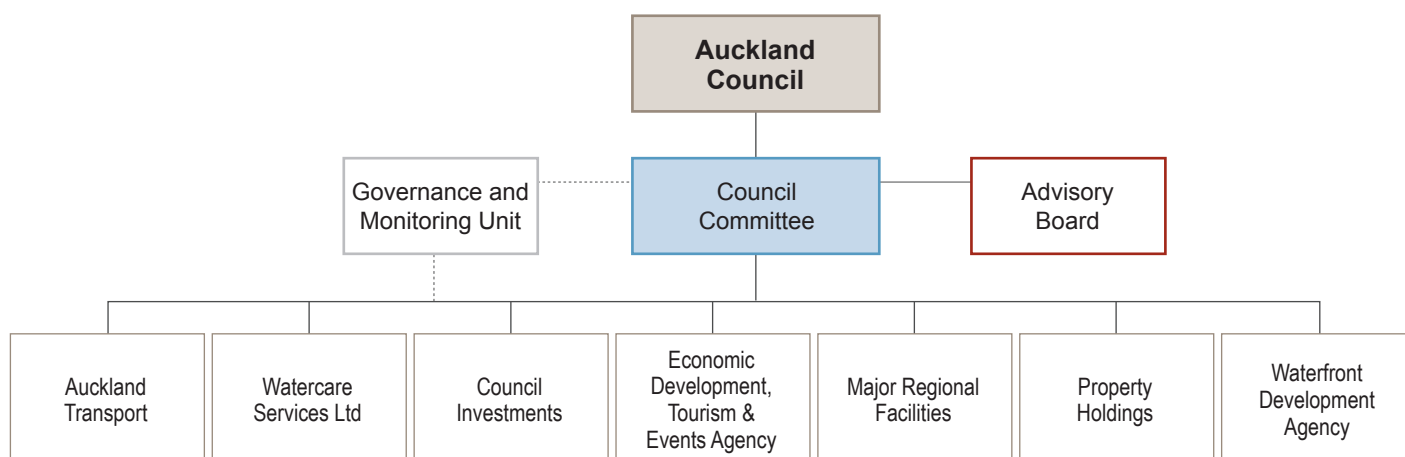
The general public will of course relate directly with CCOs where the service delivered by the CCO directly affects particular members of the public. This aligns with existing practice where, for example, the general public is able to directly contact Metrowater's customer services team.

The public will also have opportunities to comment on the service delivery of CCOs either through the Governing Body or Local Boards.

Part 3
Proposed CCO structure

The proposed CCO structure for the Auckland Council

A draft structure recommended for the top two tiers of each of the CCOs has been completed. Cabinet will determine the final number and scope of the CCOs once feedback has been received on these proposals and the ATA has submitted further advice. This will include the internal structure of each CCO and the entities that will transfer to those CCOs.



	Auckland Council	Council Committee	Advisory Board
Activities	<ul style="list-style-type: none"> • Ultimate ownership of businesses and assets • Regional and Spatial Policy and Planning • Delegates to a Council Committee appointment of Advisory Board and CCO directors and monitoring and assessment of performance • Accountability for the assessment and monitoring of CCOs 	<ul style="list-style-type: none"> • By delegation from the Auckland Council, appoints Advisory Board and CCO directors • Receives and considers recommendations from Advisory Board • Receives reports from CCOs • Recommendations to Auckland Council where appropriate • Supported and serviced by the CCO Governance and Monitoring Unit that will be based in the Auckland Council finance division 	<ul style="list-style-type: none"> • Governance advice primarily recommending CCO directors

It is recognised that for at least a transitional period, some of the existing entities are likely to remain in place, with the CCOs playing a strategic coordination role in terms of funding, operations and future investments.

Following 1 November 2010, there is likely to be a period of transition of at least 12-18 months in which:

- new CCO arrangements will bed down;
- some CCOs which have entities associated with them will progressively rationalise these entities subsequent to the establishment of the CCO; and
- processes and systems will become more streamlined, as the CCOs go on.

Note: The scope and, potentially, the number of CCOs are still to be finally determined and may change. The level to which existing CCOs are integrated into the new structure is dependent on the level of legislative change made. Taxation issues are still being worked through, which may also affect structure. Finally, what additions and changes to the Third Bill are appropriate is before the Select Committee.

Council Committee

The Council Committee recommended by the ATA will:

- have governance oversight in the appointment of Directors to CCOs. Where appropriate it would make recommendations to the Governing Body in accordance with the delegations to the Committee;
- set direction and monitor the performance of CCOs;
- receive and make decisions on the recommendations of the Advisory Board (which does not have decision-making powers); and
- be assisted by the Governance and Monitoring Unit.

Advisory Board

The Advisory Board recommended by the ATA will:

- comprise three to four independent members appointed by the Council Committee for their particular expertise and experience;
- recommend the appointment of CCO Directors to the Council Committee; and
- provide advice as requested by the Council Committee.

Boards

Watercare Services Limited will continue as an existing entity following the integration of water supply and wastewater services in Auckland. Accordingly, the board of Watercare will, as at 1 November 2010, remain in place. Thereafter the board will be subject to the same procedures as the other CCOs.

The Third Bill provides that up to two Auckland councillors may be members of the board of the Transport Agency recognising the significance of transport issues in Auckland and to provide a strong link between the funding and provision roles [CAB Min (09) 30/10]. The New Zealand Transport Agency (**NZTA**) will also appoint one board member (non-voting).

The Third Bill provides that elected members of the Auckland Council are disqualified from appointment to the boards of substantive³ CCOs, being: Council Investments; Economic Development, Tourism and Events; Major Regional Facilities; Property Holdings and the Waterfront Development Agency. A number of councils

3. Substantive CCOs are CCOs that are wholly-owned by the Auckland Council and either undertake major service delivery functions, or own or manage assets with a value of more than \$10 million [CAM Min (09) 41/16].

including Auckland City and Manukau City already have policies on not appointing elected members to CCO boards. Watercare Services Limited and the Auckland Regional Transport Authority currently operate under legislation which contains provisions precluding the appointment of Councillors to those Boards.

The Third Bill provides for the initial boards of the CCOs to be appointed by the relevant Minister(s) following recommendations by the ATA. Auckland Council will ultimately determine the size of the CCO Boards, current practice is for Boards of eight members or less. Subsequent appointments will be made by the Auckland Council. Consistent with provisions in the Local Government Act, the Crown Entities Act and the Companies Act, the Auckland Council would be able to remove members by resolution at any time and for any reason [AGR Min(09)12/1 para13] refers. Further board members will be appointed for staggered terms of up to three years, resulting in one third of each board being eligible for reappointment each year for the first three years.

Section 57 of the Local Government Act 2002 requires local authorities to adopt a policy that sets out an objective and transparent process for identifying skill requirements, appointments and remuneration for the boards of council organisations. Some existing CCOs or COs also have specific governing legislation which includes provisions relating to board membership and appointments. In addition to the legislative requirement for a board appointment policy to be adopted, it is expected that the Auckland Council will adopt best practice processes used at present to support the implementation of this policy, including regular board composition and fee reviews conducted by independent external consultants.

Each CCO board will be required to appear before the Council Committee both during the consideration of its annual report and whenever shareholder approval is sought for major decisions. This report will also be tabled with and considered by Auckland Council.

CCO Governance and Monitoring

A CCO Governance and Monitoring unit will be based in the Auckland Council's Finance division under the Chief Financial Officer. That unit will have a number of accountabilities which include:

- identifying/developing objectives for the Auckland Council's CCOs through their SOIs and developing strategies for ensuring the CCOs achieve the Council's objectives for them;
- ensuring the SOIs of the CCOs give effect to the Governing Body's LTCCP which includes the Spatial and other strategic plan documents prepared as part of the Annual Plan process;
- monitoring, analysing and reporting on the performance of the Auckland Council's CCOs, and providing advice to the Advisory Board and/or Auckland Council on any issues arising;
- ensuring that the Auckland Council's monitoring activities meet the relevant requirements of the Local Government Act 2002 or any other applicable Act;
- providing input into directors/advisory board members appointment and review processes, or Board composition reviews;

- developing and maintaining good relationships with Auckland Council's CCOs (at different levels);
- providing ad-hoc specialist governance advice to the Advisory Board or Auckland Council;
- facilitating the CCOs input to the Auckland Council's Annual Plan/Long Term Council Community Plan budgeting process, and assessing CCO funding requests (both general operating funding and funding for specific capital projects); and
- providing advice on other accountability documents (e.g. Watercare Asset Management Plan, Watercare Funding Plan) or other CCO proposals (e.g. borrowing) to the Auckland Council or Advisory Board.

Existing entities

The ATA proposes that the following six CCOs Boards be disestablished and accountability for their activities be transferred to the Auckland Council: Franklin Arts Culture and Library Trust, Northern Animal Shelter, Manukau Leisure Services Limited⁴, Manukau Building Consultants Limited, Rodney Properties Limited, Waitakere Holdings Limited and North Shore City Holdings Limited. These entities currently undertake functions which are undertaken by the respective councils across the rest of the Auckland region. For example, the Franklin Arts Culture and Library Trust has oversight of Franklin libraries, whereas, the other councils manage libraries directly.

Where an existing entity does not currently fit under any potential CCO that entity will remain intact and appropriate changes will be made to its relationship with either the Auckland Council or a specified CCO.

Examples of such entities include the John Walker "Find Your Field of Dreams" Foundation and the Waitemata Harbour Cleanup Trust.

Next Steps

The draft structure will be further refined both through the feedback gained from this discussion document and the detailed design activities that are currently underway within the CCO work stream.

By the end of March, the ATA aims to finalise, for Cabinet approval, the number and nature of the CCOs and activities among them, and between them and the Auckland Council. It also aims to finalise the proposed management structure, for ATA Board approval, to enable the employee mapping, the change process and executive team recruitment activities to commence.

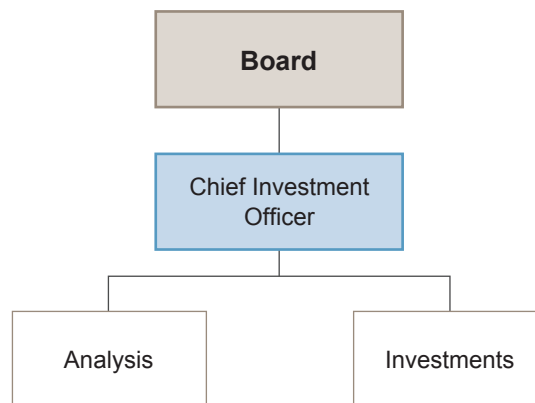
The allocation of assets and staff to CCOs will be implemented in accordance with the ATA transition process.

While preliminary planning is underway, it is likely that upon establishment, the new CCOs may rely to some extent on current individual systems and processes of entities which will form part of the new CCO. This may limit the extent of the consolidation of functions, or the need to change staff locations prior to November 2010.

4. The Board of Manukau Leisure Services Limited will be disestablished and the Chief Executive's reporting line aligned to Auckland Council. The unit will otherwise continue to operate using standalone systems.

Part 4
The CCOs

Council Investments



	Analysis Planning & Reporting	Investments
Activities	Planning and reporting Long term funding plan	Management of the seaport and airport shareholdings Management of diversified financial assets Provision of advice to Auckland Council on shareholding

The benefits of having this CCO

The objective of this CCO is to pull together the significant investments currently held by different Councils and several CCOs, into one specialist CCO.

This CCO will rationalise Council investments currently held by various entities across the region. For example, Auckland Regional Holdings (**ARH**) holds the shares in Ports of Auckland Limited, Manukau City Investments Limited (**MCIL**) holds the shares in Auckland International Airport Limited (**AIAL**) owned by Manukau City Council, and Auckland City Council also holds shares in AIAL. The primary purpose of this entity will be to maximise returns for the Council on these assets while meeting the strategic direction of Auckland Council. While the public interest in the assets is upheld by public ownership (in full or in part), the management of the assets is appropriately undertaken on a commercial basis. The skills and disciplines that a CCO brings makes it a well-matched vehicle for this function. While the current arrangements in the region are not uniform, there is a successful track record of the CCO model to build on.

A key function of this CCO after 1 November 2010 will be to actively monitor the performance of its investments. This will include, but not be limited to, engaging with the senior executives of the entities, or with the boards of directors as appropriate, in a manner consistent with that expected of a professional fund manager, having regard to the relevant level of shareholding.

What assets could transfer to the CCO?

Investments and commercial activities likely to be held by this CCO include:

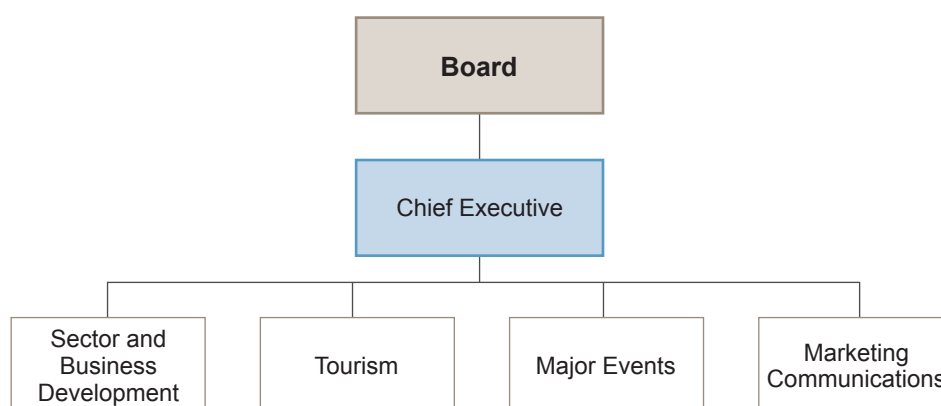
- Auckland International Airport Limited shares currently held by Manukau City Investments Limited and Auckland City Council
- Ports of Auckland Ltd shares currently held by Auckland Regional Holdings (**ARH**)
- Loan to Ports of Auckland Ltd made by ARH
- Diversified Financial Assets held by ARH
- Interest in Prime West Studios

Note: The land assets of ARH will transfer to the Waterfront Development Agency (**WDA**).

What are some of the key issues that remain outstanding?

- Ensuring clear separation between the Council Investments, Waterfront Development and Property Holdings CCOs.
- Ensuring funding arrangements are not disturbed.
- Resolving taxation related implications for the Council Investments CCO.

Economic Development, Tourism and Events



	Sector and Business Development	Tourism	Major Events	Marketing Communications
Activities	<p>Business Development</p> <ul style="list-style-type: none"> Programme Management Training Business mentoring Coaching R & D grants (central government) Connections to capital Key client management Local investment facilitation After care Local business events & networks Business starts BIDs and town centre development (possibly) Productivity Young Enterprise Schemes Education and skills initiatives Local delivery of tourism, events, export, sector development and investment initiatives <p>Sector development</p> <ul style="list-style-type: none"> Marine Screen production ICT Bio-science Food & beverages Export education FDI attraction Export promotion Promotion of industry/innovation links Rural/primary sector development 	<ul style="list-style-type: none"> Destination marketing Advocacy and industry liaison Visitor information centres Product development Tourism business development Destination management Skill development Study Auckland 	<ul style="list-style-type: none"> Event strategy and development Event attraction (competitively bidding) Event funding Event sponsorship Event coordination and leveraging Event facilitation (regulatory – permitting) Event delivery (delivering Regional and Community events) Procurement of sponsorship and funding Event marketing and promotion Event research Event industry development and advocacy Capex delivery (e.g. RWC projects) 	<ul style="list-style-type: none"> Organisation identity Alignment to organisation brand Design, websites and collaterals etc Public relations Auckland brand strategy Skills and talent attraction Expression & behaviour One stop shop for the coordination of filming activities

The benefits of having this CCO

The objective of this CCO will be to bring a coordinated approach to sector and business development, events and tourism in the Auckland region. Auckland is a key driver for economic growth in New Zealand and it is important that the Auckland Council is well placed to play its part in facilitating the strong economic performance of the region.

There are a number of benefits of using the CCO model for these functions. First, research shows that successful governance of sector and business development, events and tourism requires strong drive from the private sector.

It is the combination of private sector leadership and public sector facilitation and support, with the joint application of resources, that produces the best results. The Auckland Council must apply best practice to ensure the region can compete as effectively as possible in the global market place. The ability to appoint private sector leaders to the board of a CCO is therefore a major benefit of this model.

Secondly, within clear parameters of objectives and accountability for performance, these functions benefit from the ability to identify and rapidly respond to opportunities in the market place. A CCO can more readily provide a conducive environment for this.

Thirdly, the grouping of functions within this CCO will give a dedicated and long overdue focus to the brand strategy for the Auckland region.

Fourthly, the CCO will provide a single regional local government economic development partner for central Government agencies such as the Ministry of Economic Development and New Zealand Trade and Enterprise.

What existing entities could transfer to the CCO?

There are a number of entities which should ideally form part of the Economic Development, Tourism and Events CCO. However, for a number of reasons including taxation issues, the time available and legal status, full integration could not be achieved without empowering legislation by 1 November 2010.

It is envisaged that the entities and business units that, following suitable agreements being reached, should be fully integrated into the CCO as of 1 November 2010 include:

- AucklandPlus
- Visitor centres including i-sites
- Waitakere Enterprise
- Enterprise North Shore
- Enterprising Manukau
- Council business units responsible for major events

The current interests and contractual rights of the existing local authorities in the following entities will be transferred to the CCO as of 1 November 2010:

- Enterprise Franklin Development Trust
- Rodney Economic Development Trust
- Tourism Auckland

What are some of the key issues that remain outstanding?

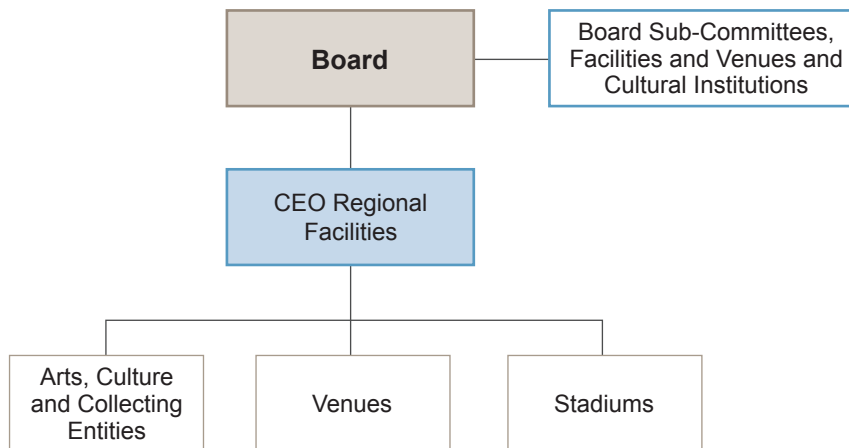
Discussions are underway with the following charitable trusts with a view to them disbanding and merging into the new entity:

- Enterprise Franklin Development Trust
- Rodney Economic Development Trust
- Tourism Auckland

How existing entities will be managed within the new CCO is yet to be determined. Issues to be taken into account include:

- ensuring local matters are managed appropriately;
- ensuring funding arrangements are not disturbed;
- ensuring the work being undertaken by the events division on Rugby World Cup 2011 is supported; and
- developing a strong working relationship with the Major Facilities CCO.

Major Regional Facilities



Arts, Culture and Collecting Entities, Venues, Stadiums	
Activities	Facility Management Management of shared services Asset planning Conventions and events planning Marketing

The benefits of having this CCO

The objective of this CCO is to bring entities in the arts, culture and collecting fields together with indoor venues and stadiums. 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. Moreover, at present many of these Council entities actively compete with one another outside of their core activities (e.g. for conferences, functions and concerts).

Much has been written about the duplication and underutilisation of a range of regional facilities throughout Auckland. This CCO will have a single clear purpose and objective 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. It will sit alongside the Economic Development, Tourism and Events CCO to facilitate the attraction of major events including cultural, sporting and entertainment to Auckland and to help that CCO achieve its sector and business development, events and tourism goals.

These facilities represent an enormous investment and are core to Auckland's development as a world class city. The CCO model will help to ensure the right skills and private sector connections are leveraged to effectively and efficiently operate the facilities and plan for the future. This will in turn help to achieve the best social and economic return for the region.

It is accepted that cultural/collecting organisations do not usually operate at a profit. However they are essential elements of a major city. Being part of a CCO will bring efficiencies including cost savings.

Consideration was given to the establishment of separate CCOs for the cultural and venues facility groups. However, this was rejected based on the observation that currently there is a significant level of competition across all of the regional facilities for events such as conferences, concerts and celebrations.

Moreover, all facilities clearly share common needs in areas such as ticketing, promotion, casual labour and asset management.

All of the facilities, cultural and sporting, need operations and business development functions and capability.

This CCO will:

- group and coordinate the activities of the various major regional facilities, including significant cultural, heritage and leisure facilities, indoor venues, and stadiums;
- work with the Economic Development, Tourism and Events CCO to facilitate the attraction of major events to Auckland and to help that CCO achieve its sector and business development, events and tourism goals;
- achieve optimum utilisation of existing facilities and greater programme synergies and collaboration across facilities;
- develop better working relationships across all of the region's major facilities (whether publicly or privately owned) to achieve better co-ordination of activity;
- assess the needs of the region in terms of facilities and venues and determine the ultimate level of capital investment. This may result in some rationalisation;
- ensure current and future regional facilities are planned, developed and managed to serve the current and future needs of all Aucklanders;
- be able to make capital investment decisions in the best interests of the whole region, to maximise the economic return from the facilities;
- make long term bulk funding against clear objectives easier;
- foster best practice systems and processes;
- make the best use of casual staff by establishing and maintaining a pool of well trained and qualified staff;
- offer greater potential for private sector involvement and external funding e.g. sponsorship; and
- achieve efficiencies in support functions e.g. ticketing systems, promotion and purchasing.

Specific functions and objectives will include:

Function	Objective
Asset management planning	The major regional facilities are maintained to agreed standards, and operated efficiently
Co-ordinated management of existing facilities	Management of the facilities in a way which best achieves the Auckland Council's strategies and objectives and maximises revenue and minimises costs

Role of the Board Sub-Committees

The Regional Facilities CCO encompasses a mix of entities with varied specialisations in the arts, culture and sport. Whilst the Board will provide general oversight, thus avoiding issues arising from overlap and competition, the two Sub-Committees will ensure appropriate governance is provided separately for the arts/cultural group and the facilities and the venue based group. This arrangement will ensure that matters particular to each group are effectively addressed whilst still retaining a common oversight.

What existing entities could transfer to the CCO?

There are a number of entities which should ideally form part of the regional facilities CCO. However for a number of reasons including taxation issues, the time available and legal status, full integration could not be achieved without empowering legislation by 1 November 2010.

The entities currently proposed to be included in this CCO are presented below. The first group includes those entities that are envisaged will be fully integrated into the CCO's structure as of 1 November 2010. The second group encompasses those, which will be grouped under the CCO but, at least for the time being, may continue to exist in their present form.

Entities that will be fully integrated into the CCO:

- Auckland Art Gallery
- Auckland Zoo
- The Edge/Aotea Centre/Town Hall/Civic
- Marine Events Centre
- Western Springs Stadium
- Auckland City Council's interest in Vector Arena
- Mount Smart Stadium

The current interests and contractual rights of the existing local authorities in the following entities will be transferred⁵ to the CCO as of 1 November 2010:

- Auckland War Memorial Museum
- Museum of Transport and Technology
- Auckland Observatory and Planetarium
- Maritime Museum
- North Harbour Stadium
- North Shore Events Centre

5. For example, in the case of the Trusts Stadium, the ground lease and funding agreement held by Waitakere City Council will be transferred to the Regional Facilities CCO.

- Telstra Clear Pacific Events Centre
- Bruce Mason Centre
- The Trusts Stadium

After the Rugby World Cup there may be a case for including Eden Park in this CCO. This would require consideration by and the approval of the Auckland Council, the Crown and the Eden Park Trust Board.

Smaller community venues, leisure, heritage and arts facilities will be managed either within the Auckland Council structure or by existing trusts.

Some entities have been established by private or local legislation. This includes the Auckland War Memorial Museum and the Museum of Transport and Technology.

Private and local legislation can only be consequentially amended by the Third Bill. In addition to the Auckland War Memorial Museum Act and the Museum of Transport and Technology Act, the Auckland Regional Amenities Funding Act (ARAFA) is proposed to be consequentially amended. Essentially the proposed amendments would reflect the change of “contributing authorities” (the seven territorial authorities) and the Electoral College to the Auckland Council as the one unitary authority.

Therefore, only the interests of the current Auckland councils in the two museums will transfer to the CCO and not the entities themselves. The other entities included in the ARAFA, other than the Marine Events Centre which will transfer to the CCO, are not affected by this CCO and will report directly to Auckland Council.

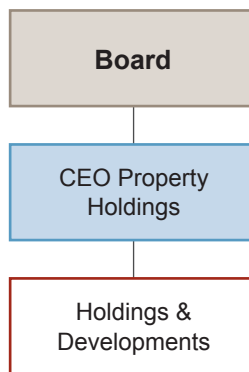
What are some of the key issues that remain outstanding?

The working relationship between the existing entities and the new CCO is also yet to be determined.

Some of the issues to be taken into account include:

- existing contracts/agreements with third parties;
- ensuring local matters are managed appropriately;
- ensuring the benefits of regional governance, such as co-ordinated management, can be realised during the transition; and
- ensuring funding arrangements are not disturbed.

Property Holdings



Holdings & Developments	
Activities	Property Management Disposal strategy and advice Acquisition strategy and advice Property investment attraction and leverage

The benefits of having this CCO

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.

The Property Holdings CCO will hold;

- all Council property that is not held for parks, reserves, or service delivery purposes and excluding property held by the Waterfront Development Agency and land purchased under the Public Works Act;
- property held for future Auckland Council activities.

This CCO will also continue the roles undertaken by Waitakere Properties Ltd and Tomorrow's Manukau Properties Ltd. The CCO will capitalise on opportunities for property to act as a lever for shaping the city and potentially increasing the asset wealth of the Council. Property Holdings will be the Auckland Council's interface with the private sector with respect to the Council and its CCOs property assets.

While all other CCOs will retain ownership of property on their balance sheets, land that is being held for future works or projects will, with the exception of the Waterfront Development Agency be managed by the Property Holdings CCO. Using the CCO model will make it easier for the Auckland Council to access the commercial skills to ensure that these property portfolios are managed efficiently.

The CCO model enables commercial expertise to be harnessed to identify opportunities to involve private sector capital where appropriate. It will encourage innovation to leverage from the delivery of the property aspects of the provision of transport and social infrastructure.

The CCO will have a focus on making better use of ratepayers' investments that might currently be underutilised and will be able to assist the Auckland Council's spatial planning process by leveraging urban development

outcomes from investments in transport and social infrastructure. Often these public investments can be used to stimulate other development activities in town centres. For example, investment in a library in a town centre can be used to leverage private sector investment or activities, or investment in a public transport interchange can bring about opportunities for closely located land holdings. This CCO will therefore work with the Auckland Council and the other CCO's to identify opportunities that support the Auckland Council spatial planning activities.

The CCO will also manage strategic land holdings and land held for future infrastructure provision as well as a significant portfolio of severance land or residual property once projects are completed.

This CCO will:

- Manage properties that have been purchased by the Auckland Council and are being held for a public work;
- Manage property not held for park, reserve, or service delivery;
- Manage property held by all other CCOs for future projects or work;
- Develop and advise on disposal strategies for surplus property;
- Where directed, attract private sector capital to develop properties to both maximise returns from assets and/or to deliver an urban development outcome in accordance with the Auckland Council's spatial planning; and
- Identify strategic land acquisitions where Auckland Council spatial planning initiatives are likely to lead to uplift in land values or where land holdings (banking) will be necessary to give effect to spatial planning initiatives.

Function	Objective
Property Management	Ensure that returns are maximised from properties managed on behalf of the Council and other CCOs
Develop and advise on disposal strategies	Maximise the return of surplus property or severance lands
Investment attraction	Use infrastructure investments to leverage private sector investment as an urban development tool.
Strategic land acquisition advice	Land bank ahead of development.

What existing entities could transfer to the CCO?

It is envisaged that the entities and activities that will be fully integrated into the CCO as of 1 November 2010 include:

- Waitakere Properties Ltd
- Tomorrow's Manukau Properties Ltd
- Strategic property functions currently undertaken within the existing local authorities.

In putting this CCO together the ATA is carefully considering the legal, funding and local aspects of the individual entities, some of which are likely to remain in place but with the CCO playing a strategic coordination role in terms of operations and future investments.

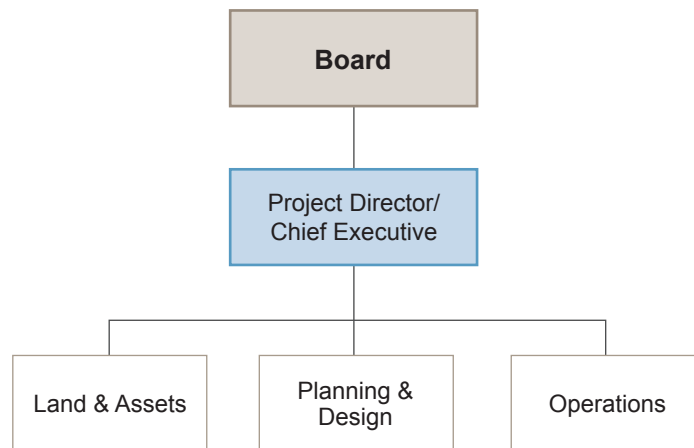
What are some of the key issues that remain outstanding?

How existing entities will be managed within the new CCO is yet to be determined.

Issues to be taken into account include:

- how to ensure local matters are managed appropriately;
- how to ensure funding arrangements are not disturbed;
- to whom and how any returns managed by Property Holdings will be distributed; and
- tax issues.

Waterfront Development Agency



	Land & Assets	Planning & Design	Operations
Activities	Development business case Valuation Property management Facility management Development management Public works contract management	Policy planning Masterplanning Urban and public space design Architectural design Consenting	Business planning SOI and LTFFP Financial management Communications Legal Risk identification and monitoring Risk mitigation strategies

The benefits of having this CCO

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 draw-card for locals and tourists. The objective of this CCO is to realise that potential. International coastal cities comparable to Auckland have found that their economic performance is significantly advanced when their waterfront is well managed and developed. Such areas become attractors for skilled talent, tourism and investment.

The Waterfront Development Agency (WDA) will see the creation of one public vehicle for the development and operation of the waterfront. The WDA will have a clear objective and be mandated to promote, encourage and facilitate a well planned and implemented redevelopment of Auckland's waterfront for all Aucklanders and New Zealanders to enjoy.

The WDA will integrate the management of the waterfront public assets under one body and thus enable the assets to be managed as a coherent whole. This includes the ongoing management of Auckland's premier marinas and its present and future waterfront parks and public spaces.

The WDA will manage the transformation of the Western Reclamation and Tank Farm from a largely port related industrial area into a mixed-use, multi-purpose urban suburb over the next 25 years. The Urban Design Framework proposed for Wynyard Quarter aims to create a lively, bustling and safe environment for people to live, work and play and an attraction for visitors.

At the heart of Wynyard Quarter is an 18.5 ha area of land between Pakenham Street and Wynyard Point which will be owned by the WDA on behalf of the Auckland Council. This is an exciting opportunity to create a new urban suburb from scratch – where modern, innovative urban design, town planning and environmental principles and practices link the waterfront to the city in a people-friendly environment.

In order to achieve this, the WDA will ensure that the current waterfront master-plan is reviewed to give effect to Auckland Council's Spatial Plan and its vision for the waterfront.

It will enable a strategic and focused approach to the development and implementation of the waterfront master plan. The master plan will accord with statutory planning documents of the region including the spatial plan and will not jeopardise the operation of the Ports of Auckland.

The WDA will take responsibility for the implementation of key projects, will encourage and facilitate development and investment, and will develop and manage the range of planned public spaces and places which will become draw-cards for the region.

The WDA will work with the Auckland Council and other CCOs to ensure that the waterfront is promoted, events organised and attractions managed in a manner consistent with its important location.

The WDA will be able to ensure that the waterfront is developed as a coherent 'whole' to a standard worthy of its natural setting and in a way which realises its significant economic potential. The WDA will manage the waterfront in a consistent and planned way with exemplary urban design, and improved connections and integration with the city as whole.

For this CCO to be effective, it will need to be able to:

- own and manage waterfront land & associated assets;
- purchase, lease and dispose of land and assets;
- develop land with the purpose of regenerating the area;
- manage public works and associated operations; and
- have sufficient funding.

The organisation will have robust working relationships with the Auckland Council particularly regarding the development of the CBD, and with Ports of Auckland Limited (POAL), private land owners and developers.

What existing entities could transfer to the CCO?

The entities currently proposed to be included in this CCO are presented below. The first group includes those entities that are envisaged to be fully integrated into the CCOs structure as of 1 November 2010. The second group encompasses those, which will be grouped under the CCO but, at least for the time being, may continue to exist in their present form.

It is envisaged that the entities and business units that will be fully integrated into the CCO as of 1 November 2010 will include:

- Auckland Regional Holdings – Wynyard precinct property⁶
- Sea+City Projects Ltd
- Auckland Regional Council's part share in Queens Wharf
- Auckland City Council Waterfront assets

The current interests and contractual rights of the existing local authorities in the following entities will be transferred to the CCO as of 1 November 2010:

- Westhaven Trust
- Westhaven Marinas Ltd
- Westhaven Marina Trust
- Westhaven Marina Extension Trust
- Downtown Marinas Ltd

What are some of the key issues that remain outstanding?

Establish boundaries for the waterfront area from Harbour Bridge Park in the west, to Teal Park in the east, excluding the Ports of Auckland:

- How existing entities will be managed within the new CCO is yet to be determined. Issues to be taken into account include ensuring funding arrangements are not disturbed.

6. Note: ARH share holdings are to be transferred to the Investments CCO.

Part 5
Discussion Questions

How to give feedback

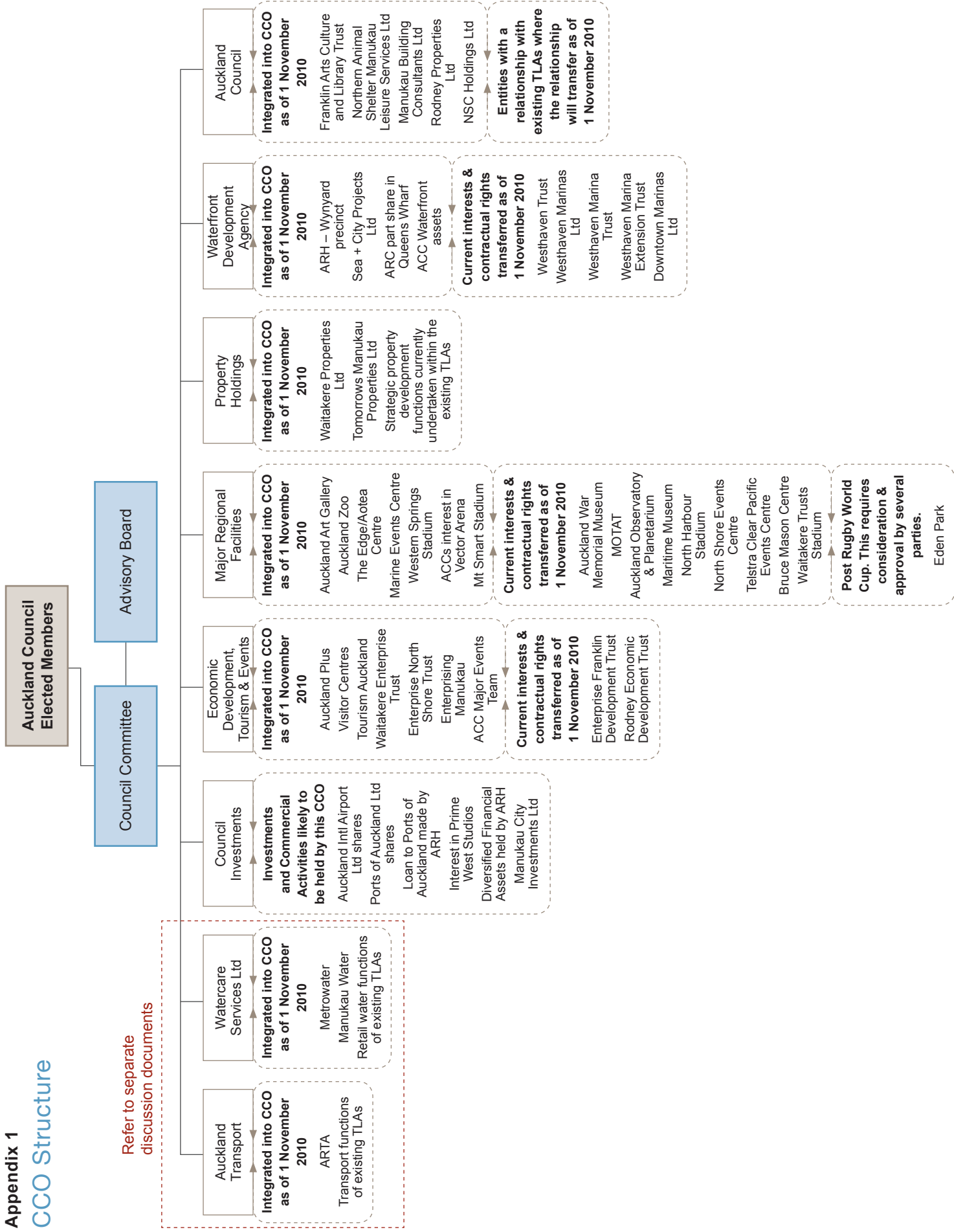
Your feedback will help us further develop our views on council-controlled organisations (CCOs).

The ATA is keen to get your feedback on the questions below.

1. Given existing legislation and Government decisions that have been made to date (summarised in Part 1, pages 6-9), what are your views on the structure and the responsibilities proposed for the council-controlled organisations described in this Discussion Document?
2. What do you consider are the key elements that should be included in the Statements of Intent (SOI) between the council and its CCOs?
3. Do you consider the reporting procedures could be improved to further enhance accountability and governance arrangements? If so, how should this be done?
4. Do you have any specific comments on the structures, entities, assets and activities identified in respect of individual CCOs described in the Discussion Document? Please identify to which organisation(s) your comments are directed.
5. Do you have views on any other issues in this document?

You can have your say by providing feedback online at www.discussiondocuments.co.nz or by sending in your written feedback to: Auckland Council CCO Feedback, Auckland Transition Agency, PO Box 99394, Newmarket 1149, Auckland, by 5pm on 26 March 2010.

Appendix 1 CCO Structure



Glossary

Auckland Council	Auckland Council comprises two parts: the governing body (mayor and 20 councillors) and the Local Boards. The chief executive and the staff they employ form the Auckland Council organisation.
ARTA	Auckland Regional Transport Authority.
ATA	Auckland Transition Agency. The government established the agency to amalgamate the councils across the Auckland region into Auckland Council by 1 November 2010.
CCO	Council-controlled organisation. An organisation that delivers services on behalf of a council in which one or more councils owns or controls 50 per cent or more of the voting rights or has the right to appoint 50 per cent or more of the directors, trustees, etc.
CCTO	A council-controlled trading organisation is a CCO that operates for the purpose of making a profit
Governance	The act, process or power of governing.
Governing body	One part of Auckland Council, comprising the mayor and 20 councillors (elected on a ward basis).
LGC	Local Government Commission. The Commission is an independent statutory body whose main role is to make decisions on the structure and representation requirements of local government in New Zealand.
Local boards	One part of Auckland Council. The current proposal is for 19 local boards of locally elected members.
LTCCP	Long-term Council Community Plan. An LTCCP provides a 10-year view of council activities, finances and contribution towards community outcomes. It provides for the coordination of council resources and is a basis for accountability to the community.
SOI	Statement of intent. An SOI is a public document and describes the activities and intentions of a CCO for the year and the contribution it will make to Auckland Council's objectives. It is a key mechanism by which Auckland Council influences the activities of a CCO.
Special consultative procedure	A special consultative procedure requires community consultation on proposed decisions using specific processes such as public notification and hearings, as outlined in the Local Government Act 2002.
TLA	Territorial local authority.